



Tswelopele Local Municipality
Annual Financial Statements
for the year ended 30 June 2016

Tswelopele Local Municipality

(Registration number FS183)

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998, Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Grading of local authority	Grade 2
Accounting Officer	Mkhwane, TL
Chief Finance Officer (CFO)	Moletsane, NL
Registered office	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank Limited
Municipal demarcation code	FS183
Council	Matsholo, FT (Mayor) Mathibe, ME (Previous Mayor) - Term ended Raseu, MW (Speaker) Matlakala, TA (Previous Speaker) - Term ended Horn, C (Councillor) Moalosi, PP (Councillor) - Term ended Segopolo, MH (Councillor) Baleni, MS (Councillor) Soaisa, TA (Councillor) Bonokwane, MS (Councillor) Mgciya, MJ (Councillor) Eseu, BP (Councillor) Monei, MA (Councillor) Mohlabakoe, MB (Councillor) Joubert, EC (Councillor) Ngexe, MJ (Councillor) - Term ended Njodina, DA (Councillor) Phukuntsi, KR (Councillor) - Term ended Snyer, MM (Councillor) Taedi, TT (Councillor) Taljaard, MJ (Councillor) - Term ended Sethuntsa, TZ (Councillor) - Term ended

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 12 September 2016 and were signed on its behalf by:

Accounting officer

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2016.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
Mr V Vapi (Chairperson)	6
Mr C VanWyk	6
Mr G Ramavhea	5
Mr R Lubisi	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	14	4 222 032	6 355 430
Inventories	8	680 488	539 958
Other receivables from exchange transactions	9&13	1 335 378	830 704
Receivables from exchange transactions	12	11 359 976	4 104 530
Receivables from non-exchange transactions	10&13	3 567 643	4 340 422
VAT receivable	11	512 546	5 005 503
		21 678 063	21 176 547
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	3 174 241	2 254 313
Investment property	4	22 857 701	23 197 134
Other financial assets	6	948 222	971 762
Property, plant and equipment	5	444 164 042	453 309 050
		471 144 206	479 732 259
Total Assets		492 822 269	500 908 806
Liabilities			
Current Liabilities			
Consumer deposits	20	932 742	783 462
Employee benefit obligation	7	813 910	2 010 000
Finance lease obligation	15	616 416	130 676
Other financial liabilities	17	773 533	686 799
Payables from exchange transactions	19	25 543 365	24 026 002
Unspent conditional grants and receipts	16	7 839 512	9 907 057
		36 519 478	37 543 996
Non-Current Liabilities			
Employee benefit obligation	7	7 918 398	7 884 000
Finance lease obligation	15	567 210	71 399
Other financial liabilities	17	9 776 932	10 550 466
Provisions	18	8 395 693	13 062 381
		26 658 233	31 568 246
Total Liabilities		63 177 711	69 112 242
Net Assets		429 644 558	431 796 564
Accumulated surplus		429 644 558	431 796 564

* See Note 41

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Dividends received	25	49 420	40 552
Interest received - trading		1 604 096	1 244 465
Interest received - investment	25	1 133 161	734 453
Licences and permits		65 500	10 200
Other income	24	1 050 789	1 054 627
Rental of facilities and equipment	23	1 117 281	389 725
Service charges	22	42 744 253	35 963 638
Total revenue from exchange transactions		47 764 500	39 437 660
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	15 085 482	13 502 050
Transfer revenue			
Government grants & subsidies	27	101 788 322	93 281 138
Fines, Penalties and Forfeits		300 900	373 800
Total revenue from non-exchange transactions		117 174 704	107 156 988
Total revenue	21	164 939 204	146 594 648
Expenditure			
Employee related costs	28	(57 234 215)	(52 344 249)
Remuneration of councillors	29	(4 663 463)	(4 441 087)
Depreciation and amortisation		(40 557 155)	(24 008 221)
Finance costs	30	2 333 738	(2 247 215)
Debt Impairment	31	(1 648 291)	(2 754 680)
Repairs and maintenance		(6 751 845)	(7 064 664)
Bulk purchases	32	(32 282 104)	(32 024 364)
Contracted services	33	(27 190)	(22 988)
General Expenses	34	(27 016 209)	(29 930 681)
Total expenditure		(167 846 734)	(154 838 149)
Operating deficit		(2 907 530)	(8 243 501)
Loss on disposal of assets and liabilities		(140 863)	(270 287)
Fair value adjustments	36	(23 540)	54 661
Gain on biological assets and agricultural produce	35	919 928	1 069 639
		755 525	854 013
Deficit for the year		(2 152 005)	(7 389 488)

* See Note 41

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	404 393 095	404 393 095
Changes in net assets		
Prior period errors (refer to Note 41)	34 792 957	34 792 957
Net income (losses) recognised directly in net assets	34 792 957	34 792 957
Surplus for the year	(7 389 488)	(7 389 488)
Total recognised income and expenses for the year	27 403 469	27 403 469
Total changes	27 403 469	27 403 469
Balance at 01 July 2015 restated	431 796 563	431 796 563
Changes in net assets		
Surplus for the year	(2 152 005)	(2 152 005)
Total changes	(2 152 005)	(2 152 005)
Balance at 30 June 2016	429 644 558	429 644 558
Note(s)		

* See Note 41

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Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		50 188 666	38 559 992
Grants		99 720 777	101 508 280
Interest income		2 736 406	1 978 918
Dividends received		49 420	40 551
Other receipts		2 329 876	1 246 997
		<u>155 025 145</u>	<u>143 334 738</u>
Payments			
Employee costs		(60 182 067)	(53 806 189)
Suppliers		(67 299 429)	(64 238 631)
Finance costs		2 479 368	(2 245 113)
		<u>(125 002 128)</u>	<u>(120 289 933)</u>
Net cash flows from operating activities	37	<u>30 023 017</u>	<u>23 044 805</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(32 305 533)	(28 722 934)
Net cash flows from investing activities		<u>(32 305 533)</u>	<u>(28 722 933)</u>
Cash flows from financing activities			
Finance lease payments		(665 852)	(199 468)
Finance lease receipts		1 501 770	-
Repayment of other financial liabilities		(686 800)	(614 994)
Net cash flows from financing activities		<u>149 118</u>	<u>(814 462)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(2 133 398)</u>	<u>(6 492 590)</u>
Cash and cash equivalents at the beginning of the year		6 355 430	12 848 020
Cash and cash equivalents at the end of the year	14	<u>4 222 032</u>	<u>6 355 430</u>

* See Note 41

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	47 960 000	-	47 960 000	42 744 253	(5 215 747)	
Rental of facilities and equipment	385 000	690 000	1 075 000	1 117 281	42 281	
Interest received (trading)	510 000	250 000	760 000	1 604 096	844 096	
Dividends received (investment)	100 000	-	100 000	-	(100 000)	
Miscellaneous other revenue	-	-	-	65 500	65 500	
Other income	4 010 000	229 000	4 239 000	-	(4 239 000)	
Other income - (rollup)	-	-	-	1 050 789	1 050 789	
Interest received - investment	-	-	-	1 133 161	1 133 161	
Dividends received	-	-	-	49 420	49 420	
Total revenue from exchange transactions	52 965 000	1 169 000	54 134 000	47 764 500	(6 369 500)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11 101 000	4 000 000	15 101 000	15 085 482	(15 518)	
Transfer revenue						
Government grants & subsidies	66 373 000	(2 874 000)	63 499 000	101 788 322	38 289 322	
Fines, Penalties and Forfeits	328 000	60 000	388 000	300 900	(87 100)	
Total revenue from non-exchange transactions	77 802 000	1 186 000	78 988 000	117 174 704	38 186 704	
Total revenue	130 767 000	2 355 000	133 122 000	164 939 204	31 817 204	
Expenditure						
Personnel	(51 257 000)	(1 662 000)	(52 919 000)	(57 234 215)	(4 315 215)	
Remuneration of councillors	(5 331 000)	-	(5 331 000)	(4 663 463)	667 537	
Depreciation and amortisation	(19 669 000)	-	(19 669 000)	(40 557 155)	(20 888 155)	
Debt impairment	(2 501 000)	-	(2 501 000)	-	2 501 000	
Finance costs	(2 008 000)	-	(2 008 000)	2 333 738	4 341 738	
Bad debts written off	-	-	-	(1 648 291)	(1 648 291)	
Repairs and maintenance	(7 635 000)	(1 201 000)	(8 836 000)	(6 751 845)	2 084 155	
Bulk purchases	(26 750 000)	(2 150 000)	(28 900 000)	(32 282 104)	(3 382 104)	
Contracted Services	(1 500 000)	(500 000)	(2 000 000)	(27 190)	1 972 810	
Transfers and Subsidies	(2 820 000)	-	(2 820 000)	-	2 820 000	
General Expenses	(33 090 000)	2 712 000	(30 378 000)	(27 016 209)	3 361 791	
Total expenditure	(152 561 000)	(2 801 000)	(155 362 000)	(167 846 734)	(12 484 734)	
Operating deficit	(21 794 000)	(446 000)	(22 240 000)	(2 907 530)	19 332 470	
Loss on disposal of assets and liabilities	-	-	-	(140 863)	(140 863)	
Fair value adjustments	-	-	-	(23 540)	(23 540)	
Gain on biological assets and agricultural produce	-	-	-	919 928	919 928	
	-	-	-	755 525	755 525	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	(21 794 000)	(446 000)	(22 240 000)	(2 152 005)	20 087 995	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(21 794 000)	(446 000)	(22 240 000)	(2 152 005)	20 087 995	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	50 000	-	50 000	680 488	630 488
Other receivables from exchange transactions	1 500 000	-	1 500 000	1 335 382	(164 618)
Receivables from non-exchange transactions	-	-	-	3 567 643	3 567 643
VAT receivable	-	-	-	512 546	512 546
Consumer debtors	5 549 000	-	5 549 000	11 359 976	5 810 976
Cash and cash equivalents	8 000 000	-	8 000 000	4 222 032	(3 777 968)
	15 099 000	-	15 099 000	21 678 067	6 579 067

Non-Current Assets

Biological assets that form part of an agricultural activity	990 000	-	990 000	3 174 241	2 184 241
Investment property	-	-	-	22 857 701	22 857 701
Property, plant and equipment	403 975 000	21 284 000	425 259 000	444 164 042	18 905 042
Other financial assets	1 047 000	-	1 047 000	948 222	(98 778)
	406 012 000	21 284 000	427 296 000	471 144 206	43 848 206

Total Assets

421 111 000	21 284 000	442 395 000	492 822 273	50 427 273
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Liabilities

Current Liabilities

Other financial liabilities	550 000	-	550 000	773 533	223 533
Finance lease obligation	-	-	-	616 416	616 416
Payables from exchange transactions	7 000 000	-	7 000 000	25 543 365	18 543 365
Consumer deposits	-	-	-	932 742	932 742
Employee benefit obligation	-	-	-	813 910	813 910
Unspent conditional grants and receipts	-	-	-	7 839 512	7 839 512
	7 550 000	-	7 550 000	36 519 478	28 969 478

Non-Current Liabilities

Other financial liabilities	13 182 000	-	13 182 000	9 776 932	(3 405 068)
Finance lease obligation	-	-	-	567 210	567 210
Employee benefit obligation	-	-	-	7 918 398	7 918 398
Provisions	4 200 000	-	4 200 000	8 395 693	4 195 693
	17 382 000	-	17 382 000	26 658 233	9 276 233

Total Liabilities

24 932 000	-	24 932 000	63 177 711	38 245 711
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Net Assets

396 179 000	21 284 000	417 463 000	429 644 562	12 181 562
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Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	396 179 000	21 284 000	417 463 000	429 644 562	12 181 562	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	11 101 000	4 000 000	15 101 000	-		15 101 000	15 085 482		(15 518)	100 %	136 %
Service charges	47 960 000	-	47 960 000	-		47 960 000	42 744 253		(5 215 747)	89 %	89 %
Investment revenue	510 000	250 000	760 000	-		760 000	1 182 581		422 581	156 %	232 %
Transfers recognised - operational	66 373 000	(2 874 000)	63 499 000	-		63 499 000	101 788 322		38 289 322	160 %	153 %
Other own revenue	4 823 000	979 000	5 802 000	-		5 802 000	5 058 494		(743 506)	87 %	105 %
Total revenue (excluding capital transfers and contributions)	130 767 000	2 355 000	133 122 000	-		133 122 000	165 859 132		32 737 132	125 %	127 %
Employee costs	(51 257 000)	(1 662 000)	(52 919 000)	-	-	(52 919 000)	(57 234 215)	-	(4 315 215)	108 %	112 %
Remuneration of councillors	(5 331 000)	-	(5 331 000)	-	-	(5 331 000)	(4 663 463)	-	667 537	87 %	87 %
Debt impairment	(2 501 000)	-	(2 501 000)			(2 501 000)	(1 648 291)	-	852 709	66 %	66 %
Depreciation and asset impairment	(19 669 000)	-	(19 669 000)			(19 669 000)	(40 557 155)	-	(20 888 155)	206 %	206 %
Finance charges	(2 008 000)	-	(2 008 000)	-	-	(2 008 000)	2 333 738	-	4 341 738	(116)%	(116)%
Materials and bulk purchases	(26 750 000)	(2 150 000)	(28 900 000)	-	-	(28 900 000)	(32 282 104)	-	(3 382 104)	112 %	121 %
Other expenditure	(45 045 000)	1 011 000	(44 034 000)	-	-	(44 034 000)	(33 959 647)	-	10 074 353	77 %	75 %
Total expenditure	(152 561 000)	(2 801 000)	(155 362 000)	-	-	(155 362 000)	(168 011 137)	-	(12 649 137)	108 %	110 %
Surplus/(Deficit)	(21 794 000)	(446 000)	(22 240 000)	-		(22 240 000)	(2 152 005)		20 087 995	10 %	10 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	20 571 000	21 284 000	41 855 000	-		41 855 000	-		(41 855 000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	(1 223 000)	20 838 000	19 615 000	-		19 615 000	(2 152 005)		(21 767 005)	(11)%	176 %
Surplus/(Deficit) for the year	(1 223 000)	20 838 000	19 615 000	-		19 615 000	(2 152 005)		(21 767 005)	(11)%	176 %

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. The estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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1.4 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30-45 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Community	Straight line	5 - 100 years
Other property, plant and equipment	Straight line	3 - 15 years
Infrastructure	Straight line	2 - 100 years
Other property	Straight line	0 - 20 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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1.6 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

In accordance with Standards of GRAP, the landfill sites and borrowing pits (included under land) is depreciated over their determined remaining useful lives.

Items of Municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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1.8 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The amortised cost of a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

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1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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1.11 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

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1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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1.14 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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1.14 Employee benefits (continued)

Other post retirement obligations

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability; or
- a possible obligation that arises from past events but whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the municipality.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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1.17 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

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1.17 Revenue from non-exchange transactions (continued)

Collection charges and penalties

Collection charges and penalty interest are recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the Municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandate function on behalf of the municipality for a specific period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandate function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator.
- is provided by the grantor (municipality) which:
 - is an existing asset of the municipality; or
 - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

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Accounting Policies

1.18 Service concession arrangements: Grantor (continued)

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at which price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Discontinued operations

Discontinued operations is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Refer to notes for detail.

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Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to irregular expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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Accounting Policies

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against the accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against the accumulated surplus/deficit when retrospective adjustments are made.

1.29 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 38.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both of the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.30 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.31 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.32 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

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Accounting Policies

1.32 Statutory receivables (continued)

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
 - the definition of an asset is met, and;
 - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable;
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP. Any differences between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of transfer.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

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2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the amendment is not material.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

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2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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Figures in Rand	2016	2015
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3. Biological assets that form part of an agricultural activity

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	3 174 241	-	3 174 241	2 254 313	-	2 254 313

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Increase / Decrease due to assets acquired through a non- exchange transaction	Total
Biological assets	2 254 313	919 928	3 174 241

Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Increase / Decrease due to assets acquired through a non- exchange transaction	Total
Biological assets	1 184 674	1 069 639	2 254 313

Non - Financial information

Quantities of each biological asset

Blesbok	81	69
Oryx	61	54
Kudu	11	25
Lechwe	-	4
Impala	20	19
Red Hartebees	18	15
Springbok	236	239
Black Springbok	25	24
Black Wildebees	196	183
Ostrich	8	8
Zebra	15	12
Horses	3	3
	674	655

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Figures in Rand	2016	2015
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4. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 876 001	(1 018 300)	22 857 701	23 876 000	(678 866)	23 197 134

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	23 197 134	(339 433)	22 857 701

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	23 536 567	(339 433)	23 197 134

Pledged as security

None of the above investment property has been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	24 815 912	(2 938 532)	21 877 380	25 004 913	(2 239 195)	22 765 718
Infrastructure	356 377 696	(138 105 476)	218 272 220	344 287 437	(114 971 462)	229 315 975
Community	175 092 939	(70 564 817)	104 528 122	175 092 938	(58 989 694)	116 103 244
Other property, plant and equipment	15 280 726	(8 405 066)	6 875 660	16 378 918	(8 373 358)	8 005 560
Capital work in progress	69 865 061	-	69 865 061	51 686 947	-	51 686 947
Other property	39 532 582	(16 786 983)	22 745 599	39 525 653	(14 094 047)	25 431 606
Total	680 964 916	(236 800 874)	444 164 042	651 976 806	(198 667 756)	453 309 050

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	22 765 718	-	(189 000)	(699 338)	21 877 380
Infrastructure	229 315 975	12 219 436	(46 495)	(23 216 696)	218 272 220
Community	116 103 244	-	-	(11 575 122)	104 528 122
Other property, plant and equipment	8 005 560	1 901 054	(997 329)	(2 033 625)	6 875 660
Capital work in progress	51 686 947	18 178 114	-	-	69 865 061
Other property	25 431 606	6 929	-	(2 692 936)	22 745 599
	453 309 050	32 305 533	(1 232 824)	(40 217 717)	444 164 042

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Notes to the Annual Financial Statements

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land	21 997 337	1 328 178	-	-	(559 797)	22 765 718
Infrastructure	242 474 426	-	-	-	(13 158 451)	229 315 975
Community	118 504 122	-	-	4 103 574	(6 504 452)	116 103 244
Other property, plant and equipment	8 538 713	1 692 663	(217 528)	-	(2 008 288)	8 005 560
Capital work in progress	30 088 428	25 702 093	-	(4 103 574)	-	51 686 947
Other property	26 887 177	-	-	-	(1 455 571)	25 431 606
	448 490 203	28 722 934	(217 528)	-	(23 686 559)	453 309 050

Pledged as security

None of the above property, plant and equipment have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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6. Other financial assets		
Designated at fair value		
Unlisted shares	948 222	971 762
49 383 shares in Senwes Limited		
75 732 shares held in Senwesbel Limited		
Non-current assets		
Designated at fair value	948 222	971 762
7. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Post-employment medical aid liability	(5 648 000)	(6 754 000)
Long service awards	(3 084 308)	(3 140 000)
	(8 732 308)	(9 894 000)
Non-current liabilities	(7 918 398)	(7 884 000)
Current liabilities	(813 910)	(2 010 000)
	(8 732 308)	(9 894 000)
Changes in the present value of the defined benefit obligation and the long service awards are as follows:		
Opening balance	9 894 000	10 195 000
Benefits paid	(883 000)	(594 558)
Net expense recognised in the statement of financial performance	(278 692)	293 558
	8 732 308	9 894 000
Net expense recognised in the statement of financial performance		
Current service cost	500 000	418 000
Interest cost	866 000	862 000
Actuarial (gains) losses	(1 644 692)	(986 442)
	(278 692)	293 558
Key assumptions used		
Assumptions used at the reporting date:		
Defined benefit obligation:		
Discount rates used	8,83 %	8,94 %
Consumer price inflation	7,02 %	7,05 %
Expected increase in healthcare costs	8,02 %	8,05 %
Net effective discount rate	0,75 %	0,82 %
Long service awards:		
Discount rate used	8,59 %	7,96 %
Consumer price inflation	6,76 %	6,33 %
Salary increase rate	7,76 %	7,33 %
Net effective discount rate	0,77 %	0,59 %

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Figures in Rand	2016	2015
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7. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	1 % increase	1 % increase
Effect on the aggregate of the service cost and interest cost	44 000	717 000
Effect on defined benefit obligation	469 000	7 319 000

Amounts for the current and previous four years are as follows:

	2016 R	2015 R	2014 R	2013 R
Defined benefit obligation	(5 648 000)	(6 754 000)	(7 056 000)	(6 584 000)
Long service awards obligation	(3 084 308)	(3 140 000)	(3 139 000)	(3 485 000)

8. Inventories

Electrical	120 651	131 848
Fuel (Diesel, Petrol)	188 533	193 281
Mechanical	91 396	49 198
Water	36 730	8 534
Water Equipment	243 178	157 097

680 488	539 958
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9. Other receivables from exchange transactions

Eskom deposits	551 220	519 495
Other receivables	784 158	311 209
	1 335 378	830 704

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

10. Receivables from non-exchange transactions

INEP Grant	-	582 472
Consumer debtors - Rates	3 567 643	3 757 950
Fines	154 220	148 744
Consumer debtors - Other (Specified)	(154 220)	(148 744)
	3 567 643	4 340 422

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

11. VAT receivable

VAT	512 546	5 005 503
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Figures in Rand	2016	2015
12. Consumer debtors		
Gross balances		
Electricity	5 800 471	3 226 693
Water	8 747 251	6 679 719
Sewerage	13 630 757	11 516 927
Refuse	9 144 796	7 600 272
Housing rental	2 018 918	1 514 561
	39 342 193	30 538 172
Less: Allowance for impairment		
Electricity	(718 243)	(578 248)
Water	(7 030 973)	(6 620 480)
Sewerage	(11 356 091)	(10 867 143)
Refuse	(7 703 036)	(7 383 970)
Housing rental	(1 173 874)	(983 801)
	(27 982 217)	(26 433 642)
Net balance		
Electricity	5 082 228	2 648 445
Water	1 716 278	59 239
Sewerage	2 274 666	649 784
Refuse	1 441 760	216 302
Housing rental	845 044	530 760
	11 359 976	4 104 530
Included in above is receivables from exchange transactions		
Electricity	5 082 228	2 648 445
Water	1 716 278	59 239
Sewerage	2 274 666	649 784
Refuse	1 441 760	216 302
Housing rental	848 695	530 760
	11 363 627	4 104 530
Net balance	11 363 627	4 104 530
Electricity		
Current (0 -30 days)	1 932 058	436 587
31 - 60 days	601 598	164 763
61 - 90 days	344 899	199 536
91 - 120 days	625 313	84 736
121 - 150 days	120 877	253 196
> 150 days	1 457 483	1 509 627
	5 082 228	2 648 445
Water		
Current (0 -30 days)	313 729	165 073
31 - 60 days	162 011	156 448
61 - 90 days	134 257	146 474
91 - 120 days	133 846	124 102
121 - 150 days	131 470	144 655
> 150 days	840 965	(677 513)
	1 716 278	59 239

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Figures in Rand	2016	2015
12. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	354 145	225 642
31 - 60 days	238 722	220 455
61 - 90 days	226 074	220 664
91 - 120 days	213 407	210 515
121 - 150 days	199 354	202 923
> 150 days	1 042 964	(430 415)
	2 274 666	649 784
Refuse		
Current (0 -30 days)	226 324	148 726
31 - 60 days	148 438	139 754
61 - 90 days	139 514	138 557
91 - 120 days	132 581	136 160
121 - 150 days	124 516	130 691
> 150 days	670 387	(477 586)
	1 441 760	216 302
Housing rental		
Current (0 -30 days)	22 727	5 800
31 - 60 days	17 033	6 108
61 - 90 days	101 456	87 496
91 - 120 days	16 816	5 002
121 - 150 days	16 460	4 366
> 150 days	670 552	421 988
	845 044	530 760

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Figures in Rand	2016	2015
12. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 859 447	611 444
31 - 60 days	828 162	568 002
61 - 90 days	730 373	568 864
91 - 120 days	710 374	503 775
121 - 150 days	692 200	521 138
> 150 days	29 020 448	24 899 393
	33 841 004	27 672 616
Industrial/ commercial		
Current (0 -30 days)	1 305 116	417 175
31 - 60 days	442 108	121 186
61 - 90 days	337 049	139 134
91 - 120 days	686 843	99 150
121 - 150 days	154 234	233 112
> 150 days	11 803 015	10 641 358
	14 728 365	11 651 115
National and provincial government		
Current (0 -30 days)	407 728	194 000
31 - 60 days	296 502	166 505
61 - 90 days	250 010	245 594
91 - 120 days	149 950	122 292
121 - 150 days	144 612	113 872
> 150 days	3 629 630	4 577 076
	4 878 432	5 419 339
Total		
Current (0 -30 days)	3 572 291	1 222 619
31 - 60 days	1 566 772	855 693
61 - 90 days	1 317 432	953 592
91 - 120 days	1 547 167	725 217
121 - 150 days	991 046	868 122
> 150 days	44 449 444	40 117 827
	53 444 152	44 743 070
Less: Allowance for impairment	(42 084 176)	(40 638 540)
	11 359 976	4 104 530
Less: Allowance for impairment		
> 150 days	(27 982 217)	(26 433 642)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(26 433 642)	(41 275 499)
Contributions to allowance	(1 548 575)	14 841 857
	(27 982 217)	(26 433 642)
Credit quality of consumer debtors		

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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Figures in Rand	2016	2015
13. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	14 101 959	14 201 611
Less: Allowance for impairment		
Consumer debtors - Rates	(10 534 316)	(10 443 661)
Net balance		
Consumer debtors - Rates	3 567 643	3 757 950
Rates		
Current (0 -30 days)	508 389	437 532
31 - 60 days	189 524	250 966
61 - 90 days	159 400	170 512
91 - 120 days	146 327	159 820
121 - 150 days	130 321	132 291
> 150 days	2 433 682	2 606 829
	3 567 643	3 757 950

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 900	4 900
Bank balances	2 539 514	4 644 678
Short-term deposits	1 677 618	1 705 852
	4 222 032	6 355 430

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for an Eskom electricity deposit for the waste water project in Phahameng. Terms and conditions	1 520 000	1 520 000
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Bank - Cheque account - 810142227	2 539 514	4 572 750	4 438 175	2 539 514	4 644 678	4 477 781
ABSA Bank - Money market account	1 520 000	1 705 852	1 620 042	1 520 000	1 705 852	1 620 042
ABSA Bank - 32 day account	-	-	113 691	-	-	113 691
ABSA Bank - 32 day notice account	-	-	4 087 093	-	-	4 087 093
ABSA - Investment account - 9291998227	-	-	2 549 414	-	-	2 549 414
ABSA Bank - Investment account - 9310197560	73 543	-	-	73 543	-	-
FNB - Investment account - 62578401186	84 077	-	-	84 077	-	-
Total	4 217 134	6 278 602	12 808 415	4 217 134	6 350 530	12 848 021

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Figures in Rand	2016	2015
15. Finance lease obligation		
Minimum lease payments due		
- within one year	657 741	143 329
- in second to fifth year inclusive	657 740	74 351
	1 315 481	217 680
less: future finance charges	(121 855)	(15 605)
Present value of minimum lease payments	1 193 626	202 075
Present value of minimum lease payments due		
- within one year	616 416	130 676
- in second to fifth year inclusive	567 210	71 399
	1 183 626	202 075
Non-current liabilities	567 210	71 399
Current liabilities	616 416	130 676
	1 183 626	202 075

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 35 months and the average effective borrowing rate was 11% (2015: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	5 871 752	9 907 057
EEDSM Grant	1 639 440	-
Regional Bulk Infrastructure Grant	328 320	-
	7 839 512	9 907 057

See note 27 for reconciliation of grants from National/Provincial Government.

A rollover has been applied for the unspent conditional grant.

17. Other financial liabilities

At amortised cost		
Annuity loans	10 550 465	11 237 265
The annuity loan comprises a DBSA loan. The endowments are made on a six monthly basis. The last loan will be redeemed on 31 December 2024. The loan carries interest at 11.9% per annum.		
Non-current liabilities		
At amortised cost	9 776 932	10 550 466
Current liabilities		
At amortised cost	773 533	686 799

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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18. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	13 062 381	(4 666 688)	8 395 693

Reconciliation of provisions - 2015

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	3 036 909	10 025 472	13 062 381

Borrow pits - The provision relates to the estimated future rehabilitation costs relating to two open borrow pits in Bultfontein. The total area of the borrow pits to be rehabilitated is 9 929 square meters. The expected date of rehabilitation is in 2022 and therefore the expected remaining useful life is estimated at 7 years. The useful life and expected date of rehabilitation could decrease depending on the extent of material needed for upcoming developments. The current weighted average cost of borrowings of the municipality is 9.82% and this percentage was used as discount factor in future rehabilitation costs.

Landfill sites - The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively. The expected date of rehabilitation is in 2029 for the Bultfontein site and 2034 for the Hoopstad site, and therefore the expected remaining useful life is estimated at 14 years and 19 years respectively. It assumed that the current population growth of the town and therefore the dumping rate will not significantly change over the useful life of the landfill sites. The current weighted average cost of borrowings of the municipality is 9.82% and this percentage was used as discount factor in future rehabilitation costs. The evaluation of rehabilitation procedures and costs was performed by DB Grobler (Prof. Associated valuer & Appraiser reg No 2311).

Refer to note 41 for details regarding the correction of the prior period figures.

19. Payables from exchange transactions

Accrued bonus	1 916 690	1 176 563
Accrued leave pay	7 456 654	5 421 623
Cash suspense account	1 470 044	1 241 858
Deposits received	44 596	13 100
Payments received in advanced	1 075 162	-
Retention payables	3 841 740	2 918 438
Salary control account	2 456 344	2 354 196
Trade payables	7 282 135	10 900 224
	25 543 365	24 026 002

20. Consumer deposits

Electricity	665 488	551 697
Water	267 254	231 765
	932 742	783 462

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Figures in Rand	2016	2015
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21. Revenue

Service charges	42 744 253	35 963 638
Rental of facilities and equipment	1 117 281	389 725
Interest received (trading)	1 604 096	1 244 465
Business licence applications	65 500	10 200
Other income - (rollup)	1 050 789	1 054 627
Interest received - investment	1 133 161	734 453
Dividends received	49 420	40 552
Property rates	15 085 482	13 502 050
Government grants & subsidies	101 788 322	93 281 138
Fines, Penalties and Forfeits	300 900	373 800
	164 939 204	146 594 648

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	42 744 253	35 963 638
Rental of facilities and equipment	1 117 281	389 725
Interest received (trading)	1 604 096	1 244 465
Business licence applications	65 500	10 200
Other income - (rollup)	1 050 789	1 054 627
Interest received - investment	1 133 161	734 453
Dividends received	49 420	40 552
	47 764 500	39 437 660

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	15 085 482	13 502 050
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Transfer revenue

Government grants & subsidies	101 788 322	93 281 138
Fines, Penalties and Forfeits	300 900	373 800
	117 174 704	107 156 988

22. Service charges

Sale of electricity	26 360 677	22 098 768
Sale of water	5 672 401	4 220 151
Sewerage and sanitation charges	6 426 819	5 782 434
Refuse removal	4 284 356	3 862 285
	42 744 253	35 963 638

23. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	1 109 643	370 844
Rental of equipment	7 638	18 881
	1 117 281	389 725

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Figures in Rand	2016	2015
24. Other income		
Building plan fees	15 836	16 625
Commission received	80 123	101 441
Connection fees	190 788	131 173
Donations	61 832	20 570
Grave fees	244 333	174 611
Gravel sales	12 980	109 691
Insurance revenue	78 044	42 112
Late payment penalty	218 566	244 674
Meter tampering fee	6 726	-
Special meter reading	8 979	9 398
Sundry income	132 582	204 332
	1 050 789	1 054 627

Included in sundry income is private calls, rate certificates, sale of tender documents, photo copies and lost books.

25. Investment revenue

Dividend revenue

Unlisted financial assets - Local	49 420	40 552
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Interest revenue

ABSA Call Account	225 102	194 580
Interest Call Account	824 119	511 853
Interest received - other	83 940	28 020
	1 133 161	734 453
	1 182 581	775 005

26. Property rates

Rates received

Property rates	15 085 482	13 502 050
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Figures in Rand	2016	2015
27. Government grants and subsidies		
Capital and Operating grants		
Equitable share	62 570 000	62 071 000
Municipal Infrastructure Grant	16 554 305	23 795 942
Municipal Systems Improvement Grant	930 000	934 000
Skills Development Grant	77 449	373 490
Financial Management Grant	1 800 000	1 800 000
EPWP Government Grant (operating)	1 073 000	1 223 000
Free State Provincial Grant	-	1 557 671
Sports and Recreation Grant	-	893 563
District Municipality Grant	-	50 000
INEP Grant	917 528	582 472
ACIP	5 000 000	-
Regional Bulk Infrastructure Grant	10 879 080	-
Lejweleputswa Grant	126 400	-
EEDSM Grant	1 360 560	-
Provincial Treasury Support Grant	500 000	-
	101 788 322	93 281 138

Equitable Share

The municipality received R62 570 000 as Equitable Share in the 2015/2016 financial year. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	9 907 057	-
Current-year receipts	12 519 000	33 703 000
Conditions met - transferred to revenue	(16 554 305)	(23 795 943)
	5 871 752	9 907 057

R3 551 999 of current year receipts was transferred to Equitable Share. The aforementioned amount was withheld from the Equitable Share as a result of the MIG spending, which was not done in accordance with the DoRA conditions.

The municipality has applied for a roll over for the unspent portion of the grant.

Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

Skills Development Grant

Balance unspent at beginning of year	-	117 244
Current-year receipts	77 449	256 246
Conditions met - transferred to revenue	(77 449)	(373 490)
	-	-

Financial Management Grant

Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	-	-

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Figures in Rand	2016	2015
27. Government grants and subsidies (continued)		
EPWP Government Grant		
Current-year receipts	1 073 000	1 223 000
Conditions met - transferred to revenue	(1 073 000)	(1 223 000)
	-	-
Free State Provincial Grant		
Balance unspent at beginning of year	-	1 557 671
Conditions met - transferred to revenue	-	(1 557 671)
	-	-
Sports and Recreation Grant		
Current-year receipts	-	893 563
Conditions met - transferred to revenue	-	(893 563)
	-	-
District Municipality Grant		
Current-year receipts	-	50 000
Conditions met - transferred to revenue	-	(50 000)
	-	-
INEP Grant		
Current-year receipts	1 500 000	582 472
Conditions met - transferred to revenue	(917 528)	(582 472)
Conditions met - transferred to capital expenses	(582 472)	-
	-	-
Energy Efficiency and Demand Side Management Grant		
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(1 360 560)	-
	1 639 440	-
Conditions still to be met - remain liabilities (see note 16).		
Regional Bulk Infrastructure Grant		
Current-year receipts	11 207 400	-
Conditions met - transferred to revenue	(10 879 080)	-
	328 320	-
Conditions still to be met - remain liabilities (see note 16).		

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Figures in Rand	2016	2015
27. Government grants and subsidies (continued)		
Lejweleputswa		
Current-year receipts	126 400	-
Conditions met - transferred to revenue	(126 400)	-
	<u>-</u>	<u>-</u>
Provincial Treasury Support Grant		
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(500 000)	-
	<u>-</u>	<u>-</u>
ACIP		
Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(5 000 000)	-
	<u>-</u>	<u>-</u>

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Figures in Rand	2016	2015
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28. Employee related costs

Basic	29 356 340	27 116 237
Medical aid - company contributions	3 445 377	3 328 447
UIF	340 488	320 228
SDL	468 960	445 209
Leave pay provision charge	3 495 243	2 795 466
Defined contribution plans	5 717 130	5 771 707
Travel, motor car, accommodation, subsistence and other allowances	3 641 520	3 403 271
Overtime payments	2 466 477	2 477 475
Long-service awards	141 955	-
Housing benefits and allowances	17 499	13 359
Other short term costs	21 678	19 507
Cellphone allowance	111 820	221 010
Standby allowance	872 081	912 667
	50 096 568	46 824 583

Remuneration of Municipal Manager (TL Mkhwane)

Annual Remuneration	1 098 890	1 036 422
Car Allowance	104 905	101 947
Performance Bonuses	191 679	-
Contributions to UIF, Medical and Pension Funds	262 814	230 763
Other	144 779	77 039
	1 803 067	1 446 171

Remuneration of Chief Financial Officer (NL Moletsane)

Annual Remuneration	857 712	804 463
Car Allowance	136 417	119 995
Performance Bonuses	135 772	-
Contributions to UIF, Medical and Pension Funds	45 196	45 345
Other	176 940	82 769
	1 352 037	1 052 572

Remuneration of Director Corporate Services (SS Rabanye)

Annual Remuneration	751 062	701 221
Car Allowance	107 604	99 249
Performance Bonuses	135 772	-
Contributions to UIF, Medical and Pension Funds	180 659	169 333
Other	93 890	19 707
	1 268 987	989 510

Remuneration of Director Technical Services (BP Dikoko)

Annual Remuneration	765 050	717 029
Car Allowance	89 149	77 571
Performance Bonuses	116 376	-
Contributions to UIF, Medical and Pension Funds	185 126	175 202
Other	172 611	29 703
	1 328 312	999 505

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Figures in Rand	2016	2015
28. Employee related costs (continued)		
Remuneration of Director Community Services (ZK Tindleni)		
Annual Remuneration	765 219	700 245
Car Allowance	104 854	101 164
Performance Bonuses	135 772	-
Contributions to UIF, Medical and Pension Funds	169 252	168 394
Other	210 147	62 105
	1 385 244	1 031 908

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Figures in Rand	2016	2015
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29. Remuneration of councillors

Councillors	3 845 247	3 686 670
SDL	36 858	30 761
Medical aid contributions	272 160	229 993
Pension fund contributions	509 198	493 663
	4 663 463	4 441 087

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2016	Annual remuneration	Travel allowance	Medical aid	Pension	Cell and data	Total
Mayor - ME Mathiba	589 142	-	32 252	88 371	24 468	734 233
Speaker - TA Matlakala	469 871	-	27 460	70 481	24 468	592 280
Part time EXCO member - PP Moalosi	230 200	-	29 436	34 530	24 468	318 634
Part time EXCO member - C Horn	235 221	-	23 710	35 235	24 468	318 634
Chairperson Sec 79 committee - TT Taedi	210 698	-	32 252	31 605	24 468	299 023
Part time councillor - MS Bonokwane	164 988	-	24 204	24 747	24 468	238 407
Part time councillor - MW Raseu	155 799	-	34 719	23 421	24 468	238 407
Part time councillor - MM Snyer	85 438	-	9 624	11 908	12 234	119 204
Part time councillor - DA Njodina	164 987	-	24 204	24 748	24 468	238 407
Part time councillor - MJ Ngexe	186 034	-	-	27 905	24 468	238 407
Part time councillor - MJ Taljaard	176 298	-	11 196	26 445	24 468	238 407
Part time councillor - BP Eseu	186 034	-	-	27 905	24 468	238 407
Part time councillor - KR Phukuntsi	161 199	28 561	-	24 179	24 468	238 407
Part time councillor - EC Joubert	186 034	-	-	27 905	24 468	238 407
Part time councillor - MB Baleni	165 970	-	23 104	24 865	24 468	238 407
Part time councillor - TZ Sethuntsa	83 793	-	-	4 947	10 195	98 935
	3 451 706	28 561	272 161	509 197	364 981	4 626 606

30. Finance costs

Non-current borrowings	1 321 320	1 393 113
Finance leases	145 630	2 102
Unwinding costs on provisions	(3 800 688)	852 000
	(2 333 738)	2 247 215

Tswelopele Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
31. Debt impairment		
Debt impairment - other receivables	9 060	763 594
Debt impairment - consumer debtors	1 639 231	1 991 086
	1 648 291	2 754 680
32. Bulk purchases		
Electricity	29 776 843	28 806 520
Water	2 505 261	3 217 844
	32 282 104	32 024 364
Electricity losses 2015/2016. Losses are currently calculated at 17.79%.		
Electricity losses 2014/2015. Losses were calculated at 13.8%.		
Water losses 2015/2016. Losses are currently calculated at 27.14%.		
Water losses 2014/2015. Losses were calculated at 28.7%		
33. Contracted services		
Operating Leases	27 190	22 988

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Figures in Rand	2016	2015
34. General expenses		
Advertising	161 226	297 747
Audit committee	62 896	102 279
Auditors remuneration	2 889 861	3 153 936
Bank charges	285 633	255 355
Cleaning	78 244	93 619
Community development and training	62 990	96 128
Computer expenses	415 734	353 628
Consulting and professional fees	2 091 136	658 927
Consumables	31 048	12 470
Development of Environmental Management Plan	-	175 472
Entertainment	93 642	205 879
Fines	19 164	465 032
Fuel and oil	1 658 124	1 862 473
Insurance	433 224	460 250
Internal audit expense	-	554 463
Motor vehicle expenses	58 314	88 326
Operating grant expenditure	5 686 499	5 448 424
Other expenses	7 500 905	7 303 622
Printing and stationery	1 116 317	1 847 331
Protective clothing	215 553	326 225
Radio and television licenses	930	1 060
Royalties and license fees	392 049	441 838
Sewerage assessment (Green Drop)	60 586	42 711
Software expenses	3 719	6 569
Subscriptions and membership fees	1 489 867	1 672 982
Telephone and fax	748 798	635 107
Training	594 725	2 293 891
Travel - local	616 394	718 254
Water quality assessment (Blue Drop)	248 631	356 683
	27 016 209	29 930 681

Included in other expenses are the following material expenses:

Purification costs	1 551 151	1 823 832
Free basic services	4 626 948	3 649 941
	6 178 099	5 473 773

35. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs	919 928	1 069 639
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36. Fair value adjustments

Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(23 540)	54 661

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Figures in Rand	2016	2015
37. Cash generated from operations		
Deficit	(2 152 005)	(7 389 488)
Adjustments for:		
Depreciation and amortisation	40 557 155	24 008 221
Loss on sale of assets and liabilities	(779 065)	(799 352)
Fair value adjustments	23 540	(54 661)
Finance costs - Finance leases	145 630	2 102
Debt impairment	1 648 291	2 754 680
Movements in retirement benefit assets and liabilities	(1 161 692)	(301 000)
Movements in provisions	(4 666 688)	875 990
Other movement in Net Assets	-	616 226
Loss on sale of asset	1 091 960	(217 537)
Changes in working capital:		
Inventories	(140 530)	(198 769)
Other receivables from exchange transactions	(355 932)	417 417
Consumer debtors	(8 903 737)	(5 228 698)
Other receivables from non-exchange transactions	624 035	(4 225 010)
Payables from exchange transactions	1 517 363	8 797 275
VAT	4 492 957	(4 564 185)
Unspent conditional grants and receipts	(2 067 545)	8 227 143
Consumer deposits	149 280	324 451
	30 023 017	23 044 805

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	25 466 018	11 000 801
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	69 907 539	-
Total capital commitments		
Already contracted for but not provided for	25 466 018	11 000 801
Not yet contracted for and authorised by accounting officer	69 907 539	-
	95 373 557	11 000 801
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational contracts	6 205 525	5 032 587
• Operational orders	824 283	577 725
	7 029 808	5 610 312
Not yet contracted for and authorised by accounting officer		
• Operational contracts	10 000 000	-
Total operational commitments		
Already contracted for but not provided for	7 029 808	5 610 312
Not yet contracted for and authorised by accounting officer	10 000 000	-
	17 029 808	5 610 312
Total commitments		
Total commitments		
Authorised capital expenditure	95 373 557	11 000 801
Authorised operational expenditure	17 029 808	5 610 312
	112 403 365	16 611 113

This committed expenditure relates to property and other expenditure. It will be financed by available bank facilities, retained surpluses, cash resources, funds internally generated and grants.

39. Contingencies

The municipality has the following contingent liabilities for the 2015/2016 financial year:

The municipality is currently in dispute with the Department of Water Affairs (DWA) over the amount charged for the provision of water to the municipality. DWA is of the opinion that the Municipality owes them R5 028 977, however the Municipality is disputing this amount on the basis that the quantity of water that the DWA presumably supplied to the municipality exceeds the capacity of the Municipality's dams. From November 2008 the Municipality's water was officially supplied by Sandvet water users associations, however the municipality was still receiving invoices from the DWA subsequent to November 2008.

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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40. Related parties

Relationships

Accounting Officer

Related entities

TL Mkhwane

Tsotang Investments - Reg number 2007/010261/07
(TL Mkhwane: Municipal Manager - Director)

Rainbow Colours Operation - Reg number
2014/076680/07 (TL Mkhwane: Municipal Manager -
Director)

Mabuzi Trading - Reg number 2005/174903/23 (ZK
Tindleni : Director Community Services - Member)

Venida Consultancy - Reg number 2006/118473/23
(ZK Tindleni : Director Community Services -
Member)

Kuimba - Reg number 2007/067140/23 (ZK Tindleni :
Director Community Services - Member)

Thimizo Trading and Projects - Reg number
2008/027627/23 (ZK Tindleni : Director Community
Services - Member)

Venidoo Trading - Reg number 2008/129811/23 (ZK
Tindleni : Director Community Services - Member)

MDJ Entertainment - Reg number 2009/020357/23
(NL Moletsane : CFO - Member)

KNTLD Trading - Reg number 2007/038077/23 (NL
Moletsane : CFO - Member)

Thokgamo Consulting - Reg number 2010/050478/23
(PB Dikoko : Director Technical Services - Member)

Members of key management

TL Mkhwane (Municipal Manager)

SS Rabanye (Director Corporate Services)

PB Dikoko (Director Technical Services)

ZK Tindleni (Director Community Services)

NL Moletsane (CFO)

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

Councillor C Horn	65 270	51 887
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Related party transactions

Rent paid to (received from) related parties

Councillor C Horn	(13 383)	(13 383)
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Councillor C Horn is currently leasing 2 land facilities from the municipality for R4 940.70 and R1 750.60 (Bi-annually). Camp 4 and Camp 9.

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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41. Prior period errors

The following prior period errors occurred:

1. VAT receivable - SARS conducted a VAT audit during the current financial year on the prior period and expenses were disallowed as well as penalties and interest were raised to the amount of R465 032.

2. Provision for environmental rehabilitation - In the 2014/2015 financial year the provision for environmental rehabilitation for the 2014/2015 financial year as well as prior years were adjusted only to reflect the portion of the provision in relation to the carrying value of the land. The provision was corrected in the current year to show the total present value of the future obligation to rehabilitate the landfill site as per IGRAP2. The correction was applied retrospectively.

3. Numerous prior year errors were calculated - During the financial year, management identified numerous immaterial prior period errors, which was restated retrospectively. These errors consists of expenditure items and the related VAT not provided for the during the 2014/2015 financial year and sundry income not recorded in the correct period. To ensure compliance to GRAP, the necessary corrections were made.

4. Infrastructure - In 2014/2015 Bridge culverts were erroneously not capitalised but included under repairs and maintenance.

5. Investment property - The 2013/2014 and 2014/2015 depreciation was captured incorrectly. This was corrected in the current financial year.

8. Land addition not captured - In 2013/2014 land cost of R189 000 was not captured on the FAR or in the AFS. The figures were retrospectively adjusted.

9. VAT prior year adjustment - During the year it was found that an adjustment of R2 588 and R25 206 was made to VAT Assessment for the 2011 and 2015 financial years respectively. These adjustments were made retrospectively.

10. Insurance not provided - It was found that an insurance premium amounting to R4 000 was not provided for during the 2014/2015 financial year. This has been retrospectively corrected.

The correction of the errors resulted in adjustments as follows:

Statement of financial position

Provisions (2)	(9 149 483)	(9 149 483)
Opening Net assets / liabilities (2)	9 149 483	-
VAT receivable (1)	(465 032)	(465 032)
Opening Net assets / liabilities (1)	465 032	-
VAT receivable (3)	4 344	4 344
Other receivables from exchange transactions (3)	(111 253)	(111 253)
Opening Net assets / liabilities (3)	35 058	-
Payables from exchange transactions (3)	71 273	71 273
Payables from exchange transactions (3)	(100)	(100)
Payables from exchange transactions (3)	353	353
Payables from exchange transactions (3)	325	325
Property, Plant and Equipment (4)	304 000	304 000
Opening Net assets / liabilities (4)	(304 000)	-
Investment property accumulated depreciation (5)	(324 200)	(324 200)
Opening Net assets / liabilities (5)	324 200	162 100
Property, Plant and Equipment (8)	189 000	189 000
Opening Net assets / liabilities (8)	(189 000)	(189 000)
Opening Net assets / liabilities (9)	27 794	27 794
VAT receivable (9)	(27 794)	(27 794)
Payables from exchange transactions (10)	(4 000)	(4 000)
VAT receivable (10)	491	491
Opening Net assets / liabilities (10)	3 509	-

Statement of Financial Performance

Finance costs (2)	-	9 149 483
General expenses (1)	-	465 032

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
41. Prior period errors (continued)		
Repairs and maintenance (3)	-	111 253
Sundry income (3)	-	(71 273)
Sundry income (3)	-	(4 344)
Employee costs (3)	-	100
Bank charges (3)	-	(353)
General expenses (3)	-	(325)
Repairs and maintenance (4)	-	(304 000)
Depreciation expense (5)	-	162 100
General expenses (10)	-	3 509

6. During the financial year, the municipality embarked on full assessment of all immovable assets under its control. During this assessment, the following significant issues were identified, and where required, the financial statements were restated to reflect these changes.

6.1 Assets were identified which were previously omitted from the asset register. The recognition of these assets had the following impact on the financial records:

Property, Plant and Equipment

Increase in Infrastructure assets (Cost)	7 414 755	7 414 755
Increase in Community assets (Cost)	96 378 479	96 378 479
Increase in Other assets (Cost)	19 779 917	19 779 917
Increase in Infrastructure (Accumulated depreciation)	(3 722 305)	(3 722 305)
Increase in Community assets (Accumulated depreciation)	(42 186 817)	(42 186 817)
Increase in Other assets (Accumulated depreciation)	(8 818 173)	(8 818 173)
Opening Net assets / liabilities	(82 850 704)	(82 850 704)
Increase in Community assets	7 531 554	7 531 554
Decrease in Other assets	(4 396 541)	(4 396 541)
Increase in Infrastructure assets	14 467 974	14 467 974
Decrease in Other property, plant and equipment	(3 603 940)	(3 603 940)
Increase in Capital work-in-progress	5 801	5 801
	-	-

6.2 As a result of the recognition of the omitted assets, certain assets already recognised in the financial records had to be derecognised to allow for the recognition of the omitted assets at a facility level. The derecognition of these assets had the following impact on the financial records:

Property, Plant and Equipment

Decrease in Infrastructure assets (Cost)	(4 333 893)	(4 333 893)
Decrease in Community assets (Cost)	(18 796 602)	(18 796 602)
Decrease in Infrastructure (Accumulated depreciation)	2 347 941	2 347 941
Decrease in Community assets (Accumulated depreciation)	3 305 886	3 305 886
Opening Net assets / liabilities	17 476 668	17 476 668
	-	-

6.3 During the assessment of the municipal assets and supporting asset register, it was identified that the depreciation methodology adopted was not consistently applied. The following adjustments were required as a result of the correction in depreciation:

Property, Plant and Equipment

Increase in Infrastructure (Accumulated depreciation)	(32 085 367)	(32 085 367)
Increase in Community assets (Accumulated depreciation)	(1 766 928)	(1 766 928)
Decrease in Other assets (Accumulated depreciation)	8 158 350	8 158 350
Opening Net assets / liabilities	25 693 945	25 693 945
	-	-

7. Reclassification of assets

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Notes to the Annual Financial Statements

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2015

41. Prior period errors (continued)

7.1 During the financial year, the municipality embarked on full assessment of all immovable assets under its control. During this assessment it was identified that the assets were not consistently categorised and recognised with the same class of assets. The following reclassification of assets were required to ensure consistent recognition and reporting of the assets under the control of the municipality:

	Infrastructure assets	Community assets	Other assets	Total
Infrastructure assets reclassified from Community assets costs	285 613	(285 613)	-	-
Infrastructure assets reclassified from Community assets accumulated depreciation	(11 876)	11 876	-	-
Community assets reclassified as Other assets cost	-	(19 745 737)	19 745 737	-
Community assets reclassified as Other assets accumulated depreciation	-	3 953 553	(3 953 553)	-
Infrastructure assets reclassified as Community assets cost	(9 377 715)	9 377 715	-	-
Infrastructure assets reclassified as Community assets accumulated depreciation	585 204	(585 204)	-	-
	(8 518 774)	(7 273 410)	15 792 184	-

42. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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42. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from DBSA	11,90 %	773 533	417 551	920 104	1 598 520	6 840 756

43. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 429 644 558 and that the municipality's total assets exceed its liabilities by R 429 644 558.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

44. Unauthorised expenditure

Opening balance	5 033 915	2 023 000
Unauthorised expenditure incurred	3 946 145	5 849 822
Less: Amounts approved by Council	(3 946 145)	(2 838 907)
	5 033 915	5 033 915

45. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	27 730
Add: Fruitless and wasteful expenditure - current year	109 045	88 893
less: Amounts written off by Council	(109 045)	(116 623)
	-	-

An amount of R58 778.29 of Fruitless and wasteful expenditure incurred during the 2015/16 financial year was written-off by Council on the 31 May 2016 and an amount of R50 266.92 was written-off on the 27 July 2016.

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46. Irregular expenditure		
Opening balance	12 759 282	7 806 143
Add: Irregular Expenditure - current year	5 284 448	9 423 995
Less: Amounts written off by Council - Current year	(1 990 390)	(4 470 856)
Less: Amounts written off by Council - Prior year	(12 759 282)	-
	3 294 058	12 759 282

Irregular Expenditure for 2012/13 and 2013/14 was investigated by the Municipal Public Accounts Committee and Finance Committee. Irregular expenditure for 2012/13 was confirmed to be R5 162 676 instead of the R1 743 720 which was disclosed in the 2012/13 AFS.

Irregular expenditure for 2013/14 was confirmed to be R2 809 481 instead of R1 520 952. The opening balance for 2014/15 was erroneously disclosed as R4 193 489 instead of R7 806 143. Irregular Expenditure amount written off by council on the 31 August 2015 was disclosed erroneously as R 8 654 346 (for 2014/15) in the AFS instead of R 4 470 856.

Irregular expenditure of R3 418 955.90 (for 2012/13) and R1 288 529.25 (for 2013/14) was written-off by Council on the 27 July 2016. For the 2015/16 Council only wrote-off R1 156 418.16 on the 23 May 2016 and R622 179.20 was written-off on the 27 July 2016. Irregular expenditure of R211 792.20 (2015/16); R4963 137.57 (2014/15); R595 540.00 (2012/13) and R1 723 470.00 (pre-2011/12) was written-off on the 31 August 2016.

Details of Irregular Expenditure

Strip and quote	383 047	1 735 287
Emergencies	1 607 343	794 293
Other	-	170 963
Employee costs	-	67 198
PPPFA	-	1 314 455
Tenders	-	1 693 116
Flight Specials	-	25 128
Conditional grant	3 294 058	3 623 555
	5 284 448	9 423 995

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	2 889 861	3 065 235
Amount paid - current year	(2 889 861)	(3 065 235)
	-	-

PAYE and UIF

Current year subscription / fee	7 299 607	7 013 327
Amount paid - current year	(7 299 607)	(7 013 327)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	10 697 261	9 452 240
Amount paid - current year	(10 697 261)	(9 452 240)
	-	-

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47. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	512 546	5 005 503
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no arrear Councillors consumer accounts at 30 June 2016.

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Taedi, TT	235	3 519	3 754
Horn, C	6 691	45 195	51 886
	6 926	48 714	55 640

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be written off by the Municipal Manager and noted by Council.

48. Budget differences

Material differences between budget and actual amounts

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48. Budget differences (continued)

Service charges - More revenue was anticipated due to the increment on service charges, however, less customers were billed, Customers in Ext 7 and 8 are not being billed yet.

Interest from external investments - More investments were made during the year than anticipated, Municipality received RBIG during the year which was not initially included in the budget of the Municipality.

Other income - Municipality wanted to action some of its obsolete equipment, auctioneer was appointed but only electric cables and few items were sold, the rest will be sold in 2016/2017.

Fines - Less traffic fines were issued during the year because traffic officers were sometimes escorting finance staff to the bank for daily cash up.

Government grants and subsidies received - Capital grants are not included as revenue in the operating budget, however in terms of GRAP 23, when the condition is met, the grant transferred must be recognised as revenue.

Employee related costs - Municipality usually budgets for pension, medical and car allowance for employees that have those benefits when the budget is prepared, however, during the financial year, other employees may join medical aid and take out pension fund, which Municipality now becomes liable to contribute to, furthermore other employee may purchases cars (car allowance bearing position) and municipality must pay them car allowance in line with their condition of service, these issues are difficult to budget for considering the fact that our budget must not be in deficit.

Finance costs - Only DBSA loan is budgeted for under finance cost, however during the financial year the interest on the finance leases are also processed.

Bulk purchases - This is due to high demand of both electricity and water and the increases in bulk resources.

General expenses - Municipality implemented cost containment measures during the year, hence a decrease in general expenses.

Other gains / (loss) - These are depended on the markets, Senwes shares prices increase in 2014/2015, however in 2015/2016 financial year they decreased due to unfavourable economic conditions, for Biological assets, the gain is minimal as compared to 2014/2015 financial year due to the recent drought conditions national wide, and Free State was declared as a disaster area due to drought.

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Financial Statement for the year ended 30 June 2016

Appendix A: Schedule of External Loans

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2015	Received during the Period	Redeemed / Written off during Period	Balance at 30 June 2016	Other costs in accordance with MFMA
	R				R	R	R	R	R
ANNUITY LOANS									
DBSA	15,000,000	11.90%	61,000,141	2024.12.31	11,237,265	-	(686,800)	10,550,465	-
								-	
Total Annuity Loans	15,000,000				11,237,265	-	(686,800)	10,550,465	-

ANNUITY LOANS:

DBSA loan (61000141):

The endowments are made on a bi-annual basis. The last loan repayment will be made on 31 December 2024. The loan carries interest at an annual rate of 11.90%.

Note: The rates of interest payable on the above structured loans are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

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Financial Statement for the year ended 30 June 2016

Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
COMMUNITY FACILITIES										
Bultfontein Cemetery 001	731,864	-	-	-	731,864	195,230	89,439	-	284,669	447,195
Bultfontein Landfill Site	144,131	-	-	-	144,131	74,694	11,608	-	86,302	57,829
Bultfontein Taxi Rank Park	18,684	-	-	-	18,684	4,984	6,762	-	11,746	6,938
Bultfontein Game Reserve	1,959,856	-	-	-	1,959,856	527,831	138,969	-	666,800	1,293,056
Cemeteries / Crematoria	3,254,427	-	-	-	3,254,427	698,213	81,393	-	779,606	2,474,821
Diamond Street Cemetery	108,689	-	-	-	108,689	28,994	7,970	-	36,964	71,725
East Street Park	1,699	-	-	-	1,699	453	126	-	579	1,120
Erf 695 Tikwana Cemetery	789,474	-	-	-	789,474	64,239	70,311	-	134,550	654,924
Gabaitumele Creche	718,311	-	-	-	718,311	191,615	90,203	-	281,818	436,493
Halls / Centres	1,815,497	-	-	-	1,815,497	944,321	75,207	-	1,019,528	795,969
Mmatshapo Creche	895,833	-	-	-	895,833	238,971	76,130	-	315,101	580,732
Mmabana Creche	169,388	-	-	-	169,388	45,186	15,279	-	60,465	108,923
Municipal Development Department	1,629,331	-	-	-	1,629,331	434,637	180,508	-	615,145	1,014,186
New Bultfontein Cemetery 002	1,233,199	-	-	-	1,233,199	166,345	349,380	-	515,725	717,474
Old Phahameng Cemetery 004	109,744	-	-	-	109,744	29,275	8,047	-	37,322	72,422
Old Commando Cluster	2,749,257	-	-	-	2,749,257	733,386	200,150	-	933,536	1,815,721
Parks	853,856	-	-	-	853,856	29,330	2,632	-	31,962	821,894
Phahameng Hall	2,607,346	-	-	-	2,607,346	695,530	185,933	-	881,463	1,725,883
Phahameng Municipal offices	1,312,797	-	-	-	1,312,797	350,199	96,410	-	446,609	866,188
Phahameng old clinic	736,032	-	-	-	736,032	196,342	75,194	-	271,536	464,496
Public toilet and taxi rank	1,118,853	-	-	-	1,118,853	493,090	123,067	-	616,157	502,696
Sering Street Park	5,800	-	-	-	5,800	1,547	414	-	1,961	3,839
Solomon Mahlangu Hall	1,984,929	-	-	-	1,984,929	529,496	92,009	-	621,505	1,363,424
Taxi ranks / Parking / Bus terminals	2,010,767	-	-	-	2,010,767	960,495	47,672	-	1,008,167	1,002,600
Tikwana Taxi Rank	393,292	-	-	-	393,292	202,915	51,867	-	254,782	138,510
Tsoseletso Disabled Centre	327,768	-	-	-	327,768	87,435	21,882	-	109,317	218,451
Landfill Sites	310,019	-	-	-	310,019	124,008	23,251	-	147,259	162,760
Sub Total	27,990,843	-	-	-	27,990,843	8,048,761	2,121,813	-	10,170,574	17,820,269
SPORTS AND RECREATIONAL FACILITIES										
Bultfontein Game Reserve	1,052	-	-	-	1,052	283	27	-	310	742
Bultfontein Swimming Pool	1,941,604	-	-	-	1,941,604	554,707	486,879	-	1,041,586	900,018
Bultfontein Showgrounds	1,542,293	-	-	-	1,542,293	-	771,146	-	771,146	771,147
Hoopstad Sports Facilities	16,126,986	-	-	-	16,126,986	2,586,476	898,891	-	3,485,367	12,641,619
Hoopstad Country Club	26,073,698	-	-	-	26,073,698	6,955,367	1,800,365	-	8,755,732	17,317,966
Outdoor Facilities	86,990,888	-	-	-	86,990,888	39,430,451	4,361,509	-	43,791,960	43,198,928
Phahameng Sports Ground	14,425,575	-	-	-	14,425,575	1,413,647	1,134,492	-	2,548,139	11,877,436
Sub Total	147,102,096	-	-	-	147,102,096	50,940,931	9,453,309	-	60,394,240	86,707,856

Tswelopele Local Municipality

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Financial Statement for the year ended 30 June 2016

Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
ELECTRICITY NETWORK										
Aftree Oord	179,227	-	-	-	179,227	48,217	8,592	-	56,809	122,418
Andrew Murray	171,535	-	-	-	171,535	33,113	13,638	-	46,751	124,784
Brantfort	87,041	-	-	-	87,041	18,318	5,720	-	24,038	63,003
Brendenkamp	100,983	-	-	-	100,983	23,012	6,461	-	29,473	71,510
Bultfontein Grit Co	263,763	-	-	-	263,763	50,479	14,667	-	65,146	198,617
Bultfontein Skool	264,880	-	-	-	264,880	54,156	14,780	-	68,936	195,944
Bultfontein Industrial	367,144	-	-	-	367,144	97,082	18,338	-	115,420	251,724
Bultfontein Old Vertenary Surgeon	42,061	-	-	-	42,061	7,267	4,664	-	11,931	30,130
Bultfontein Midas	251,285	-	-	-	251,285	67,032	14,164	-	81,196	170,089
Bultfontein Showgrounds	35,955	-	-	-	35,955	6,641	1,265	-	7,906	28,049
Bultfontein Railway Line	298,722	-	-	-	298,722	70,195	17,576	-	87,771	210,951
Bultfontein Toyota	276,412	-	-	-	276,412	73,735	14,720	-	88,455	187,957
Bultfontein Senwes Village	248,855	-	-	-	248,855	66,384	11,604	-	77,988	170,867
Bultfontein Telkom	153,979	-	-	-	153,979	41,075	7,180	-	48,255	105,724
Bultfontein WWTW	452,294	-	-	-	452,294	57,481	25,350	-	82,831	369,463
Bultfontein Plaas	29,033	-	-	-	29,033	4,647	1,915	-	6,562	22,471
Bultfontein WTW	230,812	-	-	-	230,812	115,955	8,319	-	124,274	106,538
Bultfontein MSS	306,141	-	-	-	306,141	90,370	12,210	-	102,580	203,561
Bultfontein Silo	272,329	-	-	-	272,329	43,588	18,891	-	62,479	209,850
Hoopstad Prince George Street Hospital	211,719	-	-	-	211,719	56,478	9,843	-	66,321	145,398
Hoopstad Hoofd And Maree	211,719	-	-	-	211,719	56,478	10,884	-	67,362	144,357
Hoopstad Akasia	91,428	-	-	-	91,428	24,389	4,763	-	29,152	62,276
Hoopstad Kameeldoring	168,414	-	-	-	168,414	44,926	8,773	-	53,699	114,715
Hoopstad Wessels And Japhet	211,719	-	-	-	211,719	56,478	11,117	-	67,595	144,124
Hoopstad RMU Pieterse	72,388	-	-	-	72,388	28,965	2,895	-	31,860	40,528
Hoopstad RMU Leliveld	34,185	-	-	-	34,185	13,679	1,367	-	15,046	19,139
Hoopstad Reservior	697,753	-	-	-	697,753	136,969	201,263	-	338,232	359,521
Hoopstad Sentrum Ver Bejaardes And Hoofd	580,592	-	-	-	580,592	187,900	28,053	-	215,953	364,639
Hoopstad Prince George Main Switching	600,280	-	-	-	600,280	165,657	30,637	-	196,294	403,986
Hofmeyer	210,840	-	-	-	210,840	41,882	15,888	-	57,770	153,070
Hoopstad Pieters Police Station	245,930	-	-	-	245,930	83,964	18,075	-	102,039	143,891
Hoopstad Pieters And Muller	214,569	-	-	-	214,569	57,238	9,865	-	67,103	147,466
Hoopstad Diree Kliniek	255,934	-	-	-	255,934	75,119	14,152	-	89,271	166,663
Hoopstad Silo	134,741	-	-	-	134,741	37,561	7,214	-	44,775	89,966
Hoopstad Hoofd And Skool Street	635,363	-	-	-	635,363	176,424	37,547	-	213,971	421,392
Hoopstad Hoofdstraat 40	248,855	-	-	-	248,855	66,384	13,003	-	79,387	169,468
Hoopstad Coetzer	211,719	-	-	-	211,719	56,478	11,604	-	68,082	143,637
Hoopstad Cooper	211,858	-	-	-	211,858	64,863	11,271	-	76,134	135,724
Hoopstad Kok	211,719	-	-	-	211,719	56,478	11,135	-	67,613	144,106
Louis Botha Pan-Paleis	114,532	-	-	-	114,532	25,289	6,828	-	32,117	82,415
LV Network (<1000V)	21,299,384	-	-	-	21,299,384	4,995,675	1,390,613	-	6,386,288	14,913,096
MV Network (> 1 kV/ and <= 44 kV)	12,616,537	1,433,561	-	-	14,050,098	3,365,280	1,434,175	-	4,799,455	9,250,643
Oos Street	93,775	-	-	-	93,775	21,089	6,312	-	27,401	66,374
Pastore And Andrew Murray	181,117	-	-	-	181,117	37,206	14,060	-	51,266	129,851

Tswelopele Local Municipality

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Financial Statement for the year ended 30 June 2016

Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Prinslo And Thineusees	180,800	-	-	-	180,800	50,865	11,111	-	61,976	118,824
Technical Workshop	110,425	-	-	-	110,425	29,283	7,031	-	36,314	74,111
Tikwane Reservoir	395,643	-	-	-	395,643	90,397	21,859	-	112,256	283,387
Van Wyk And Prinslo	100,648	-	-	-	100,648	22,923	6,441	-	29,364	71,284
Sub Total	44,587,037	1,433,561	-	-	46,020,598	11,095,064	3,577,833	-	14,672,897	31,347,701
ROADS AND STORMWATER NETWORK										
Road structures	-	908,538	-	-	908,538	-	46,896	-	46,896	861,642
Road	67,423,462	-	-	-	67,423,462	34,637,572	4,822,305	-	39,459,877	27,963,585
Road Furniture	18,283,381	39,548	-	-	18,322,929	2,233,675	2,285,704	-	4,519,379	13,803,550
Stormwater	12,852,783	-	-	-	12,852,783	3,012,655	990,514	-	4,003,169	8,849,614
Sub Total	98,559,626	948,086	-	-	99,507,712	39,883,902	8,145,419	-	48,029,321	51,478,391
SANITATION NETWORK										
Hoopstad WWTW	12,543,173	-	-	-	12,543,173	2,445,715	1,314,067	-	3,759,782	8,783,391
Hoopstad Commando Pumpstation	1,073,625	-	-	-	1,073,625	809,022	22,212	-	831,234	242,391
Outfall Sewers	3,333,116	-	-	-	3,333,116	533,481	102,551	-	636,032	2,697,084
Phahameng Pumpstation	4,119,164	-	-	-	4,119,164	3,665,004	43,974	-	3,708,978	410,186
Pump Stations	939,485	-	-	-	939,485	392,646	60,339	-	452,985	486,500
Reticulation	17,126,274	-	-	-	17,126,274	2,765,923	466,385	-	3,232,308	13,893,966
Tikwane Pumpstation No 1	32,335	-	-	-	32,335	22,345	776	-	23,121	9,214
Tikwane Pumpstation No 2	36,731	-	-	-	36,731	14,718	2,036	-	16,754	19,977
Tikwane Pumpstation No 3	46,321	-	-	-	46,321	22,885	2,168	-	25,053	21,268
Tikwane Pumpstation No 4	68,171	-	-	-	68,171	42,298	2,198	-	44,496	23,675
Tikwane Pumpstation No 5	187,135	-	-	-	187,135	111,485	5,758	-	117,243	69,892
Tikwane Pumpstation No 6	535,426	-	-	-	535,426	261,437	21,430	-	282,867	252,559
Waste Water Treatment Works	66,574,898	-	-	-	66,574,898	8,460,834	4,429,779	-	12,890,613	53,684,285
Sub Total	106,615,854	-	-	-	106,615,854	19,547,793	6,473,673	-	26,021,466	80,594,388
WATER SUPPLY NETWORK										
107 MONOANG DRIVE	226	-	-	-	226	79	12	-	91	135
ALICEHOF NR 5,3 YOLANDE HOF - HERTZOG ST	226	-	-	-	226	79	12	-	91	135
ALICEHOF NR 6,2 YOLANDE HOF - HERTZOG ST	226	-	-	-	226	79	12	-	91	135
ALICEHOF NR 7,1 YOLANDE HOF - HERTZOG ST	226	-	-	-	226	79	12	-	91	135
ALICEHOF NR 2,6 YOLANDE HOF - HERTZOG ST	226	-	-	-	226	79	12	-	91	135
ALICEHOF NR 1,7 YOLANDE HOF - HERTZOG ST	226	-	-	-	226	79	12	-	91	135
ALICEHOF NR 3,5 YOLANDE HOF - HERTZOG ST	226	-	-	-	226	79	12	-	91	135
ALICEHOF NR 4,4 YOLANDE HOF - HERTZOG ST	226	-	-	-	226	79	12	-	91	135
Bulk Mains	12,695,115	-	-	-	12,695,115	2,031,914	745,041	-	2,776,955	9,918,160
Boreholes	1,543,681	809,112	-	-	2,352,793	726,794	94,926	-	821,720	1,531,073
Builtfontein Reservoir	10,773,956	-	-	-	10,773,956	1,915,183	2,081,950	-	3,997,133	6,776,823

Tswelopele Local Municipality

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Financial Statement for the year ended 30 June 2016

Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Distribution	39,841,434	393,147	-	(103,386)	40,131,195	27,940,203	660,914	(65,618)	28,535,499	11,595,696
Hoopstad Reservoir	12,140,436	-	-	-	12,140,436	2,383,172	649,073	-	3,032,245	9,108,191
Hoopstad Old WTW	144,570	-	-	-	144,570	38,565	41,061	-	79,626	64,944
Kliput Pumpstation	1,113,445	-	-	-	1,113,445	891,061	32,357	-	923,418	190,027
LENTEHOF FLAT NR 7, ANDREW MURRAY STR	226	-	-	-	226	79	12	-	91	135
LENTEHOF FLAT NR 10, ANDREW MURRAY STR	226	-	-	-	226	79	12	-	91	135
Pump Stations	1,913,568	4,656,095	-	-	6,569,663	1,026,866	195,809	-	1,222,675	5,346,988
Reservoirs	-	528,162	-	-	528,162	-	3,028	-	3,028	525,134
Reticulation	-	132,165	-	-	132,165	-	746	-	746	131,419
Valencia Pumpstation	933,216	49,594	-	-	982,810	746,829	19,784	-	766,613	216,197
Water Treatment Works	13,421,666	3,269,514	-	(25,791)	16,665,389	6,742,777	494,878	(17,067)	7,220,588	9,444,801
YOLANDEHOF NR 4,11 YOLANDE HOF - HERTZOG	226	-	-	-	226	79	12	-	91	135
YOLANDEHOF NR 5,10 YOLANDE HOF - HERTZOG	226	-	-	-	226	79	12	-	91	135
YOLANDEHOF NR 6,9 YOLANDE HOF - HERTZOG	226	-	-	-	226	79	12	-	91	135
YOLANDEHOF NR 7,8 YOLANDE HOF - HERTZOG	226	-	-	-	226	79	12	-	91	135
YOLANDEHOF NR 1,14 YOLANDE HOF - HERTZOG	226	-	-	-	226	79	12	-	91	135
YOLANDEHOF NR 2,13 YOLANDE HOF - HERTZOG	226	-	-	-	226	79	12	-	91	135
YOLANDEHOF NR 3,12 YOLANDE HOF - HERTZOG	226	-	-	-	226	79	12	-	91	135
Sub Total	94,524,929	9,837,789	-	(129,177)	104,233,541	44,444,707	5,019,771	(82,685)	49,381,793	54,851,748
FURNITURE & OFFICE EQUIPMENT										
Commercial Carpet Washer	13,500	-	-	-	13,500	8,592	2,696	-	11,288	2,212
Computer Equipment	1,102,321	170,354	-	(36,803)	1,235,872	506,994	226,201	(27,521)	705,674	530,198
Furniture & Office Equipment	2,911,574	213,800	-	(1,819)	3,123,555	1,474,872	433,157	(465)	1,907,564	1,215,991
SEC	2,024	-	-	-	2,024	896	289	-	1,185	839
Sub Total	4,029,419	384,154	-	(38,622)	4,374,951	1,991,354	662,343	(27,986)	2,625,711	1,749,240
LEASED ASSETS										
Leased Assets	2,802,738	1,501,770	-	(2,793,826)	1,510,682	1,843,342	491,019	(1,869,517)	464,844	1,045,838
Sub Total	2,802,738	1,501,770	-	(2,793,826)	1,510,682	1,843,342	491,019	(1,869,517)	464,844	1,045,838
MOTOR VEHICLES										
Light Vehicles	141,453	-	-	-	141,453	56,379	18,187	-	74,566	66,887
Motor Vehicles	1,628,472	-	-	(166,800)	1,461,672	947,351	188,098	(104,416)	1,031,033	430,639
Trailer & Accessories	888,833	-	-	-	888,833	479,360	69,467	-	548,827	340,006
Trucks	4,088,195	-	-	-	4,088,195	2,036,298	238,634	-	2,274,932	1,813,263
Vehicle	1,526,911	-	-	-	1,526,911	311,297	212,955	-	524,252	1,002,659
Sub Total	8,273,864	-	-	(166,800)	8,107,064	3,830,685	727,341	(104,416)	4,453,610	3,653,454

Tswelopele Local Municipality

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Financial Statement for the year ended 30 June 2016

Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
OTHER MACHINERY & EQUIPMENT										
Audio Visual Equipment	142,326	11,547	-	-	153,873	68,690	15,603	-	84,293	69,580
COM1	15,178	-	-	-	15,178	6,722	2,168	-	8,890	6,288
Domestic Equipment	14,214	-	-	-	14,214	10,898	2,014	-	12,912	1,302
Electric Wire & Power Distribution Equip	142,650	-	-	-	142,650	83,244	19,772	-	103,016	39,634
Engines	-	3,583	-	-	3,583	-	144	-	144	3,439
Gardening Equipment	570,340	-	-	-	570,340	343,746	62,949	-	406,695	163,645
Jack	1,100	-	-	-	1,100	770	220	-	990	110
Kitchen Appliances	118,703	-	-	-	118,703	74,300	12,110	-	86,410	32,293
Laboratory Equipment	31,129	-	-	-	31,129	12,013	3,032	-	15,045	16,084
Laundry Equipment	1,509	-	-	-	1,509	906	151	-	1,057	452
LED Monitors	6,139	-	-	-	6,139	4,560	877	-	5,437	702
Music Instruments	7,566	-	-	-	7,566	7,566	-	-	7,566	-
Network Equipment	4,568	-	-	-	4,568	1,109	653	-	1,762	2,806
Other Machinery & Equipment	24,452	-	-	-	24,452	12,258	3,271	-	15,529	8,923
Pheripherals	17,062	-	-	-	17,062	10,481	3,087	-	13,568	3,494
Pumps, Plumbing, Purifica & Sanita Equip	6,001	-	-	-	6,001	3,712	600	-	4,312	1,689
Safe	759	-	-	-	759	184	108	-	292	467
Security Equipment	112,246	-	-	-	112,246	40,767	17,353	-	58,120	54,126
Shredder	23,772	-	-	-	23,772	5,773	3,396	-	9,169	14,603
Telecommunication Equipment	6,430	-	-	-	6,430	2,720	1,354	-	4,074	2,356
Television	3,069	-	-	-	3,069	2,149	614	-	2,763	306
Washer	15,990	-	-	-	15,990	10,279	2,284	-	12,563	3,427
Workshop Equipment & Loose Tools	7,697	-	-	-	7,697	5,131	1,163	-	6,294	1,403
Sub Total	1,272,900	15,130	-	-	1,288,030	707,978	152,923	-	860,901	427,129
HOUSING										
Municipal Hostel	1,338,046	-	-	-	1,338,046	356,934	245,278	-	602,212	735,834
Municipal Houses	377,756	-	-	-	377,756	100,769	19,250	-	120,019	257,737
Sub Total	1,715,802	-	-	-	1,715,802	457,703	264,528	-	722,231	993,571
OPERATIONAL BUILDINGS										
Community Firefighting Station	287,686	-	-	-	287,686	76,743	22,488	-	99,231	188,455
Municipal Offices	27,719,065	6,929	-	-	27,725,994	9,452,841	1,910,914	-	11,363,755	16,362,239
Stores	1,633,797	-	-	-	1,633,797	1,291,429	51,192	-	1,342,621	291,176
Technical workshop	1,764,492	-	-	-	1,764,492	467,913	150,916	-	618,829	1,145,663
Town Hall	3,038,289	-	-	-	3,038,289	810,488	155,392	-	965,880	2,072,409
Yards / Depots	3,366,522	-	-	-	3,366,522	1,536,930	137,505	-	1,674,435	1,692,087
Sub Total	37,809,851	6,929	-	-	37,816,780	13,636,344	2,428,407	-	16,064,751	21,752,029

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Financial Statement for the year ended 30 June 2016

Appendix B: Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
CAPITAL WORK-IN-PROGRESS										
Capital Work-in-progress	51,686,947	-	18,178,111	-	69,865,058	-	-	-	-	69,865,058
Sub Total	51,686,947	-	18,178,111	-	69,865,058	-	-	-	-	69,865,058
LAND										
Land	25,004,912	-	-	(189,000)	24,815,912	2,239,196	699,337	-	2,938,533	21,877,379
Sub Total	25,004,912	-	-	(189,000)	24,815,912	2,239,196	699,337	-	2,938,533	21,877,379
Total Property, Plant and Equipment	651,976,818	14,127,419	18,178,111	(3,317,425)	680,964,923	198,667,760	40,217,716	(2,084,604)	236,800,872	444,164,051

Tswelopele Local Municipality

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Appendix C: Segmental Analysis of Property, Plant and Equipment

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Budget & Treasury Department	2,076,124	745,924	-	(1,137,733)	1,684,315	1,210,323	343,587	(756,893)	797,017	887,298
Community Department	12,333	-	-	-	12,333	8,633	2,467	-	11,100	1,233
Community Services	1,402,498	278,245	-	(900,821)	779,922	837,536	167,053	(595,324)	409,265	370,657
Corporate Department	6,264	-	-	-	6,264	4,250	767	-	5,017	1,247
Corporate Services	863,021	335,849	-	(450,321)	748,549	457,246	178,185	(299,605)	335,826	412,723
Council	119,948	-	-	(21,927)	98,021	75,328	14,545	(21,927)	67,946	30,075
Council Property	163,565	23,316	-	-	186,881	54,844	24,046	-	78,890	107,991
Finance Department	91,576	-	-	(394)	91,182	15,035	22,963	(55)	37,943	53,239
General Council	526,901	75,324	-	-	602,225	87,913	97,227	-	185,140	417,085
Municipal Manager	609,550	176,470	-	(175,023)	610,997	309,231	118,878	(121,463)	306,646	304,351
Not Specified	638,249,496	12,226,365	18,178,114	(326,277)	668,327,698	191,504,927	38,555,538	(88,107)	229,972,358	438,355,340
Technical Services	7,855,532	265,926	-	(304,928)	7,816,530	4,102,492	692,465	(201,231)	4,593,726	3,222,804
Council (Investment Property)	23,876,000	-	-	-	23,876,000	678,867	-	-	678,867	23,197,133
Total	675,852,808	14,127,419	18,178,114	(3,317,424)	704,840,917	199,346,625	40,217,721	(2,084,605)	237,479,741	467,361,176

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Appendix D: Segmental Statement of Financial Performance

2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)
R	R	R		R	R	R
1,010,106	(15,427,455)	(14,417,349)	Executive and Council	937,671	(13,258,167)	(12,320,497)
82,636,849	(24,909,850)	57,727,000	Finance and Administration	86,275,654	(25,381,811)	60,893,843
287,736	(12,164,474)	(11,876,738)	Community and Social Services	528,891	(13,286,628)	(12,757,737)
-	(2,029,433)	(2,029,433)	Public Safety	614	(1,958,849)	(1,958,235)
5,596,102	(89,769)	5,506,333	Sport and Recreation	2,699	(159,134)	(156,435)
28,036,396	(22,833,071)	5,203,325	Waste Management	10,711,175	(20,672,681)	(9,961,506)
2,456,482	(36,769,137)	(34,312,654)	Roads and Transport	16,588,653	(52,319,594)	(35,730,941)
4,340,851	(12,425,146)	(8,084,295)	Water	21,610,430	(10,305,515)	11,304,916
23,081,845	(28,187,520)	(5,105,675)	Electricity	29,058,899	(30,524,312)	(1,465,413)
147,446,368	(154,835,855)	(7,389,487)	Total	165,714,685	(167,866,692)	(2,152,006)

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Description	2015/2016 Actual R	2015/2016 Budget R	2015/2016 Variance R	2015/2016 Variance %	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	15,085,482	14,350,745	734,737	5%	Fluctuation is below 10% is deemed acceptable.
Property Rates - Penalties imposed and collection charges	-	750,000	(750,000)	-100%	No split done between interest levied on outstanding Property Rate Debtors and Other Service Debtors.
Fines	300,900	388,000	(87,100)	-22%	Less traffic fines were issued during the year because traffic officers were sometimes escorting Finance staff to the bank for daily cash up.
Licences and Permits	65,500	-	65,500	100%	Immaterial revenue source and therefore not budgeted for.
Government Grants and Subsidies	101,788,322	105,354,000	(3,565,678)	-3%	Fluctuation is below 10% is deemed acceptable.
Service Charges	42,744,253	47,960,567	(5,216,314)	-11%	More revenue was anticipated due to the increment on service charges, however, less customers were billed, Customers in Ext 7 and 8 are not being billed yet.
Rental of Facilities and Equipment	1,117,281	1,075,370	41,911	4%	Fluctuation is below 10% is deemed acceptable.
Interest Earned - External investments	1,132,310	760,000	372,310	49%	More investments were made during the year than anticipated.
Interest Earned - Outstanding debtors	1,604,946	-	1,604,946	100%	Municipality received RBIG during the year which was not initially included in the budget of the Municipality.
Dividends Received	49,420	100,000	(50,580)	-51%	Due to the low payment rate by consumers, the interest levied on outstanding accounts exceeded management expectations.
Other Income	909,926	4,237,600	(3,327,674)	-79%	The dividends were budgeted for based on the management expectation and history, but due to the fact that there has been financial pressure on companies, the dividends declared were less in the current year.
Other Gains on Continued Operations	919,928	-	919,928	100%	Municipality wanted to action some of its obsolete equipment, auctioneer was appointed but only electric cables and few items were sold, the rest will be sold in 2016/2017.
					This represents the gains on biological assets, and are not budgeted for by management has an accurate figure cannot be established as this is dependant on the market value and the number of offspring in a season. The gain is minimal as compared to 2014/2015 financial year due to the recent drought conditions national wide, and Free State was declared as a disaster area due to drought.
Total Revenue	165,718,268	174,976,282	(9,258,013)	-5%	
EXPENDITURE					
Employee Related Costs	57,234,215	52,918,777	4,315,438	8%	Fluctuation is below 10% is deemed acceptable.
Remuneration of Councillors	4,663,463	5,331,300	(667,837)	-13%	The remuneration packages were less than expected.
Depreciation	40,557,155	19,669,000	20,888,155	106%	Management does not budget for "backlog" depreciation, which represents the depreciation effect that needs to be taken into account with the implementation of GRAP.
Impairment Losses	1,648,291	2,500,500	(852,209)	-34%	The net movement in the impairment provision was less than which was expected.
Repairs and Maintenance	6,751,845	8,835,600	(2,083,755)	-24%	The Municipality implemented cost containment measures during the year, hence a decrease in repairs and maintenance.
Interest Paid	(2,333,738)	2,008,000	(4,341,738)	-216%	Only DBSA loan is budgeted for under finance cost, however during the financial year the interest paid on the finance leases and the provision for the rehabilitation of the landfill site is accounted for.
Bulk Purchases	32,282,104	28,900,000	3,382,104	12%	This is due to high demand of both electricity and water and the increases in bulk resources.
Contracted Services	27,190	2,000,000	(1,972,810)	-99%	Municipality implemented cost containment measures during the year, hence a decrease in contracted services.
Grants and Subsidies Paid	-	2,820,000	(2,820,000)	-100%	All grants and subsidies paid were classified to the correct amounts, as required by the GRAP Standards.
General Expenses	27,016,209	30,378,227	(3,362,018)	-11%	Municipality implemented cost containment measures during the year, hence a decrease in general expenses.
Loss on Other Operations	23,540	-	23,540	100%	These are depended on the markets, Senwes shares prices increase in 2014/2015, however in 2015/2016 financial year they decreased due to unfavourable economic conditions.
Total Expenditure	167,870,274	155,361,404	12,508,870	8%	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(2,152,006)	19,614,878	(21,766,883)	1011%	

Tswelopele Local Municipality

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Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

Description	2015/2016 Actual	2015/2016 Under Construction	2015/2016 Total Additions	2015/2016 Budget	2015/2016 Variance	2015/2016 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	275,110	-	275,110	-	275,110	100%	In certain cases the Municipality needed to procure assets in order to perform its day-to-day operations. These type of expenses were not originally budgeted for. In other cases, the Municipality budgeted for projects which did not start during the financial year and in other cases projects were not completed at yearend (as originally anticipated and planned).
Budget and Treasury	745,924	-	745,924	-	745,924	100%	
Community and Social Services	278,245	-	278,245	-	278,245	100%	
Public Safety	-	-	-	-	-	0%	
Sports and Recreation	-	1,923,958	1,923,958	2,610,000	(2,610,000)	-100%	
Waste Management	-	-	-	-	-	0%	
Waste Water Management	-	11,241,200	11,241,200	11,944,502	(11,944,502)	-100%	
Road Transport	641,317	-	641,317	7,800,000	(7,158,683)	-92%	
Water	9,837,789	4,787,730	14,625,519	15,000,000	(5,162,211)	-34%	
Electricity	1,433,561	804,849	2,238,410	4,500,000	(3,066,439)	-68%	
Corporate Services	335,849	-	335,849	-	335,849	100%	
Total	13,547,795	18,757,738	32,305,533	41,854,502	(28,306,707)	-68%	

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Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
			Total	Total	Total	Total		Yes / No	
Equitable Share	National	-	62,570,000	62,570,000	-	-	-	Yes	N/a
Municipal Infrastructure Grant	National	9,907,057	12,519,000	16,554,305	5,871,752	-	-	Yes	N/a
Municipal Systems Improvement Grant	National	-	930,000	930,000	-	-	-	Yes	N/a
Skills Development Grant	National	-	77,449	77,449	-	-	-	Yes	N/a
Financial Management Improvement Grant	National	-	1,800,000	1,800,000	-	-	-	Yes	N/a
Expanded Public Works Programme Grant	National	-	1,073,000	1,073,000	-	-	-	Yes	N/a
Integrated National Electrification Programme Grant	National	-	1,500,000	1,500,000	-	-	-	Yes	N/a
ACIP	Provincial	-	5,000,000	5,000,000	-	-	-	Yes	N/a
Regional Bulk Infrastructure Grant	National	-	11,207,000	10,879,080	327,920	-	-	Yes	N/a
Energy Efficiency Demand Grant	National	-	3,000,000	1,360,560	1,639,440	-	-	Yes	N/a
Lejweleputswa Grant	District	-	126,400	126,400	-	-	-	Yes	N/a
Provincial Treasury Support Grant	Provincial	-	500,000	500,000	-	-	-	Yes	N/a
Total Grants and Subsidies Received		9,907,057	100,302,849	102,370,794	7,839,112	-			

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Appendix G(1): Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

Description	2016										2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD											
Governance and Administration:											
Executive and Council	6,970,500	4,000	6,974,500	-	6,974,500	937,671	-	6,036,829	13.44%	13.45%	1,010,106
Budget and Treasury Office	6,941,595	(3,267,000)	3,674,595	-	3,674,595	84,162,989	-	(80,488,394)	2290.40%	1212.44%	80,862,243
Corporate Services	12,457,015	4,700,000	17,157,015	-	17,157,015	2,112,664	-	15,044,350	12.31%	16.96%	1,774,606
Community and Public Safety:											
Community and Social Services	2,489,618	99,000	2,588,618	-	2,588,618	528,891	-	2,059,727	20.43%	21.24%	287,736
Sport and Recreation	2,630,000	(10,000)	2,620,000	-	2,620,000	2,699	-	2,617,301	0.10%	0.10%	5,596,102
Public Safety	1,904,857	20,000	1,924,857	-	1,924,857	614	-	1,924,243	0.03%	0.03%	-
Economic and Environmental Services:											
Road Transport	7,914,150	699,000	8,613,150	-	8,613,150	16,588,653	-	(7,975,503)	192.60%	209.61%	2,456,482
Trading Services:											
Electricity	53,127,820	94,000	53,221,820	-	53,221,820	29,058,899	-	24,162,921	54.60%	54.70%	23,081,845
Water	21,011,469	15,015,000	36,026,469	-	36,026,469	21,610,430	-	14,416,039	59.98%	102.85%	4,340,851
Waste Water Management	24,224,759	6,284,000	30,508,759	-	30,508,759	6,426,819	-	24,081,940	21.07%	26.53%	24,174,111
Waste Management	11,667,249	-	11,667,249	-	11,667,249	4,284,356	-	7,382,893	36.72%	36.72%	3,862,285
Total Revenue - Standard	151,339,032	23,638,000	174,977,032	-	174,977,032	165,714,685	-	9,262,346	94.71%	109.50%	147,446,368
EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	24,043,922	(2,154,000)	21,889,922	-	21,889,922	13,258,167	-	8,631,755	60.57%	55.14%	15,427,455
Budget and Treasury Office	19,979,400	(1,222,000)	18,757,400	-	18,757,400	20,681,771	-	(1,924,371)	110.26%	103.52%	15,397,155
Corporate Services	10,220,079	43,000	10,263,079	-	10,263,079	4,700,040	-	5,563,039	45.80%	45.99%	9,512,695
Community and Public Safety:											
Community and Social Services	12,315,292	622,000	12,937,292	-	12,937,292	13,286,628	-	(349,336)	102.70%	107.89%	12,164,474
Sport and Recreation	136,000	30,000	166,000	-	166,000	159,134	-	6,866	95.86%	117.01%	89,769
Public Safety	2,364,119	(254,000)	2,110,119	-	2,110,119	1,958,849	-	151,270	92.83%	82.86%	2,029,433
Economic and Environmental Services:											
Road Transport	16,600,285	(76,000)	16,524,285	-	16,524,285	52,319,594	-	(35,795,309)	316.62%	315.17%	36,769,137
Trading Services:											
Electricity	29,687,200	2,297,000	31,984,200	-	31,984,200	30,524,312	-	1,459,888	95.44%	102.82%	28,187,520
Water	16,173,945	1,455,000	17,628,945	-	17,628,945	10,305,515	-	7,323,430	58.46%	63.72%	12,425,146
Waste Water Management	13,877,647	1,365,000	15,242,647	-	15,242,647	11,922,833	-	3,319,814	78.22%	85.91%	13,374,769
Waste Management	7,298,957	560,000	7,858,957	-	7,858,957	8,749,848	-	(890,891)	111.34%	119.88%	9,458,303
Total Expenditure - Standard	152,696,846	2,666,000	155,362,846	-	155,362,846	167,866,692	-	(12,503,846)	108.05%	109.93%	154,835,855
Surplus/(Deficit) for the year	(1,357,814)	20,972,000	19,614,186	-	19,614,186	(2,152,006)	-	21,766,192	(10.97)%	158.49%	(7,389,487)

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Appendix G(2): Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote)

Description	2016										2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE											
Vote 1 - Executive and Council	6,970,500	4,000	6,974,500	-	6,974,500	937,671	-	6,036,829	13.44%	13.45%	1,010,106
Vote 2 - Budget and Treasury Office	6,941,595	(3,267,000)	3,674,595	-	3,674,595	84,162,989	-	(80,488,394)	2290.40%	1212.44%	80,862,243
Vote 3 - Community and Social Services	2,489,618	99,000	2,588,618	-	2,588,618	528,891	-	2,059,727	20.43%	21.24%	287,736
Vote 4 - Public Safety	1,904,857	20,000	1,924,857	-	1,924,857	614	-	1,924,243	0.03%	0.03%	-
Vote 5 - Sports and Recreation	2,630,000	(10,000)	2,620,000	-	2,620,000	2,699	-	2,617,301	0.10%	0.10%	5,596,102
Vote 6 - Waste Management	11,667,249	-	11,667,249	-	11,667,249	4,284,356	-	7,382,893	36.72%	36.72%	3,862,285
Vote 7 - Waste Water Management	24,224,759	6,284,000	30,508,759	-	30,508,759	6,426,819	-	24,081,940	21.07%	26.53%	24,174,111
Vote 8 - Road Transport	7,914,150	699,000	8,613,150	-	8,613,150	16,588,653	-	(7,975,503)	192.60%	209.61%	2,456,482
Vote 9 - Water	21,011,469	15,015,000	36,026,469	-	36,026,469	21,610,430	-	14,416,039	59.98%	102.85%	4,340,851
Vote 10 - Electricity	53,127,820	94,000	53,221,820	-	53,221,820	29,058,899	-	24,162,921	54.60%	54.70%	23,081,845
Vote 11 - Corporate Services	12,457,015	4,700,000	17,157,015	-	17,157,015	2,112,664	-	15,044,350	12.31%	16.96%	1,774,606
Total Revenue by Vote	151,339,032	23,638,000	174,977,032	-	174,977,032	165,714,685	-	9,262,346	94.71%	109.50%	147,446,368
EXPENDITURE BY VOTE											
Vote 1 - Executive and Council	24,043,922	(2,154,000)	21,889,922	-	21,889,922	13,258,167	-	8,631,755	60.57%	55.14%	15,427,455
Vote 2 - Budget and Treasury Office	19,979,400	(1,222,000)	18,757,400	-	18,757,400	20,681,771	-	(1,924,371)	110.26%	103.52%	15,397,155
Vote 3 - Community and Social Services	12,315,292	622,000	12,937,292	-	12,937,292	13,286,628	-	(349,336)	102.70%	107.89%	12,164,474
Vote 4 - Public Safety	2,364,119	(254,000)	2,110,119	-	2,110,119	1,958,849	-	151,270	92.83%	82.86%	2,029,433
Vote 5 - Sports and Recreation	136,000	30,000	166,000	-	166,000	159,134	-	6,866	95.86%	117.01%	89,769
Vote 6 - Waste Management	7,298,957	560,000	7,858,957	-	7,858,957	8,749,848	-	(890,891)	111.34%	119.88%	9,458,303
Vote 7 - Waste Water Management	13,877,647	1,365,000	15,242,647	-	15,242,647	11,922,833	-	3,319,814	78.22%	85.91%	13,374,769
Vote 8 - Road Transport	16,600,285	(76,000)	16,524,285	-	16,524,285	52,319,594	-	(35,795,309)	316.62%	315.17%	36,769,137
Vote 9 - Water	16,173,945	1,455,000	17,628,945	-	17,628,945	10,305,515	-	7,323,430	58.46%	63.72%	12,425,146
Vote 10 - Electricity	29,687,200	2,297,000	31,984,200	-	31,984,200	30,524,312	-	1,459,888	95.44%	102.82%	28,187,520
Vote 11 - Corporate Services	10,220,079	43,000	10,263,079	-	10,263,079	4,700,040	-	5,563,039	45.80%	45.99%	9,512,695
Total Expenditure by Vote	152,696,846	2,666,000	155,362,846	-	155,362,846	167,866,692	-	(12,503,846)	108.05%	109.93%	154,835,855
Surplus/(Deficit) for the year	(1,357,814)	20,972,000	19,614,186	-	19,614,186	(2,152,006)	-	21,766,192	(1011.44)%	(1603.03)%	(7,389,487)

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Appendix G(3): Reconciliation of Budgeted Financial Performance

Description	2016										2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source											
Property Rates	10,350,745	4,000,000	14,350,745	-	14,350,745	15,085,482	-	(734,737)	105.12%	145.74%	13,502,050
Property Rates - Penalties & Collection Charges	750,000	-	750,000	-	750,000	-	-	750,000	-	-	-
Service Charges - Electricity	31,109,320	-	31,109,320	-	31,109,320	26,360,677	-	4,748,643	84.74%	84.74%	22,098,768
Service Charges - Water	7,413,439	-	7,413,439	-	7,413,439	5,672,401	-	1,741,038	76.52%	76.52%	4,220,151
Service Charges - Sanitation	6,028,299	-	6,028,299	-	6,028,299	6,426,819	-	(398,520)	106.61%	106.61%	5,782,434
Service Charges - Refuse	3,409,509	-	3,409,509	-	3,409,509	4,284,356	-	(874,847)	125.66%	125.66%	3,862,285
Rental of Facilities and Equipment	385,370	690,000	1,075,370	-	1,075,370	1,117,281	-	(41,911)	103.90%	289.92%	389,725
Interest Earned - External Investments	510,000	250,000	760,000	-	760,000	1,132,310	-	(372,310)	148.99%	222.02%	734,453
Interest Earned - Outstanding Debtors	-	-	-	-	-	1,604,946	-	(1,604,946)	100.00%	100.00%	1,244,465
Dividends Received	100,000	-	100,000	-	100,000	49,420	-	50,580	49.42%	49.42%	40,552
Fines	328,000	60,000	388,000	-	388,000	300,900	-	87,100	77.55%	91.74%	373,800
Licences and Permits	-	-	-	-	-	65,500	-	(65,500)	100.00%	100.00%	10,200
Transfers Recognised - Operational	66,373,000	(2,874,000)	63,499,000	-	63,499,000	67,699,465	-	(4,200,465)	106.62%	102.00%	67,679,723
Other Revenue	4,010,450	227,150	4,237,600	-	4,237,600	909,926	-	3,327,674	21.47%	22.69%	837,098
Gains on Other Operations	-	-	-	-	-	919,928	-	(919,928)	100.00%	100.00%	1,124,300
Total Revenue	130,768,132	2,353,150	133,121,282	-	133,121,282	131,629,411	-	1,491,870	98.88%	100.66%	121,900,004
Expenditure											
Employee Related Costs	51,257,219	1,661,558	52,918,777	-	52,918,777	57,234,215	-	(4,315,438)	108.15%	111.66%	52,344,249
Remuneration of Councillors	5,331,300	-	5,331,300	-	5,331,300	4,663,463	-	667,837	87.47%	87.47%	4,441,087
Depreciation and Amortisation	19,669,000	-	19,669,000	-	19,669,000	40,557,155	-	(20,888,155)	206.20%	206.20%	24,008,221
Impairment Losses	2,500,500	-	2,500,500	-	2,500,500	1,648,291	-	852,209	65.92%	65.92%	2,754,680
Repairs and Maintenance	7,634,600	1,201,000	8,835,600	-	8,835,600	6,751,845	-	2,083,755	76.42%	88.44%	7,064,664
Finance Costs	2,008,000	-	2,008,000	-	2,008,000	(2,333,738)	-	4,341,738	(116.22)%	(116.22)%	2,247,215
Bulk Purchases	26,750,000	2,150,000	28,900,000	-	28,900,000	32,282,104	-	(3,382,104)	111.70%	120.68%	32,024,364
Contracted Services	1,500,000	500,000	2,000,000	-	2,000,000	27,190	-	1,972,810	1.36%	1.81%	22,988
Grants and Subsidies Paid	2,820,000	-	2,820,000	-	2,820,000	-	-	2,820,000	-	-	-
General Expenses	33,090,227	(2,712,000)	30,378,227	-	30,378,227	27,016,209	-	3,362,018	88.93%	81.64%	29,930,689
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-	52,750
Loss on Other Operations	-	-	-	-	-	23,540	-	(23,540)	100.00%	100.00%	-
Total Expenditure	152,560,846	2,800,558	155,361,404	-	155,361,404	167,870,274	-	(12,508,870)	108.05%	110.03%	154,890,907
Surplus/(Deficit)	(21,792,714)	(447,408)	(22,240,122)	-	(22,240,122)	(36,240,863)	-	14,000,740	162.95%	166.30%	(32,990,903)
Transfers Recognised - Capital	20,571,000	21,284,000	41,855,000	-	41,855,000	34,088,857	-	7,766,143	81.45%	165.71%	25,601,415
Surplus/(Deficit) for the Year	(1,221,714)	20,836,592	19,614,878	-	19,614,878	(2,152,006)	-	21,766,883	(10.97)%	176.15%	(7,389,488)

Tswelopele Local Municipality

(Registration number FS183)

Financial Statement for the year ended 30 June 2016

Appendix G(4): Reconciliation of Budgeted Capital Expenditure

Description	2016										2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE											
Multi-year Expenditure											
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Community and Social Services	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Sports and Recreation	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Waste Management	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Waste Water Management	5,661,000	6,283,502	11,944,502	-	11,944,502	11,241,200	-	(703,302)	94.11%	198.57%	12,857,136
Vote 8 - Road Transport	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Water	-	15,000,000	15,000,000	-	15,000,000	14,625,519	-	(374,481)	97.50%	-	-
Vote 10 - Electricity	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Corporate Services	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Multi-year	5,661,000	21,283,502	26,944,502	-	26,944,502	25,866,720	-	(1,077,782)	96.00%	456.93%	12,857,136
Single-year Expenditure											
Vote 1 - Executive and Council	-	-	-	-	-	275,110	-	275,110	100.00%	100.00%	-
Vote 2 - Budget and Treasury	-	-	-	-	-	745,924	-	745,924	100.00%	100.00%	1,707,761
Vote 3 - Community and Social Services	-	-	-	-	-	278,245	-	278,245	100.00%	100.00%	-
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Sports and Recreation	2,610,000	-	2,610,000	-	2,610,000	1,923,958	-	(686,042)	73.71%	73.71%	5,070,004
Vote 6 - Waste Management	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Road Transport	7,800,000	-	7,800,000	-	7,800,000	641,317	-	(7,158,683)	8.22%	8.22%	6,414,984
Vote 9 - Water	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Electricity	4,500,000	-	4,500,000	-	4,500,000	2,238,410	-	(2,261,590)	49.74%	49.74%	1,055,971
Vote 11 - Corporate Services	-	-	-	-	-	335,849	-	335,849	100.00%	100.00%	-
Total Capital Expenditure - Single-year	14,910,000	-	14,910,000	-	14,910,000	6,438,813	-	(8,471,187)	43.18%	43.18%	14,248,719
Total Capital Expenditure - Vote	20,571,000	21,283,502	41,854,502	-	41,854,502	32,305,533	-	(9,548,969)	77.19%	157.04%	27,105,855
CAPITAL EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	-	-	-	-	-	275,110	-	275,110	100.00%	100.00%	-
Budget and Treasury Office	-	-	-	-	-	745,924	-	745,924	100.00%	100.00%	1,707,761
Corporate Services	-	-	-	-	-	335,849	-	335,849	100.00%	100.00%	-
Community and Public Safety:											
Community and Social Services	-	-	-	-	-	278,245	-	278,245	100.00%	100.00%	-
Sport and Recreation	2,610,000	-	2,610,000	-	2,610,000	1,923,958	-	(686,042)	73.71%	73.71%	5,070,004
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Economic and Environmental Services:											
Planning and Development	-	-	-	-	-	-	-	-	-	-	-
Road Transport	7,800,000	-	7,800,000	-	7,800,000	641,317	-	(7,158,683)	8.22%	8.22%	6,414,984

Tswelopele Local Municipality

(Registration number FS183)

Financial Statement for the year ended 30 June 2016

Appendix G(4): Reconciliation of Budgeted Capital Expenditure

Description	2016										2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
Trading Services:											
Electricity	4,500,000	-	4,500,000	-	4,500,000	2,238,410	-	(2,261,590)	49.74%	49.74%	1,055,971
Water	-	15,000,000	15,000,000	-	15,000,000	14,625,519	-	(374,481)	97.50%	#DIV/0!	-
Waste Management	5,661,000	6,283,502	11,944,502	-	11,944,502	11,241,200	-	(703,302)	94.11%	198.57%	12,857,136
Other:											
Other	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	20,571,000	21,283,502	41,854,502	-	41,854,502	32,305,533	-	(9,548,969)	77.19%	157.04%	27,105,855
FUNDED BY:											
National Government	20,571,000	6,283,502	26,854,502	-	26,854,502	17,680,013	-	(9,174,489)	65.84%	85.95%	27,105,855
Provincial Government	-	15,000,000	15,000,000	-	15,000,000	14,625,519	-	(374,481)	97.50%	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	20,571,000	21,283,502	41,854,502	-	41,854,502	32,305,533	-	(9,548,969)	(22.81)%	(46.42)%	27,105,855
Internally Generated Funds	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Total Capital Funding	20,571,000	21,283,502	41,854,502	-	41,854,502	32,305,533	-	(9,548,969)	77.19%	157.04%	27,105,855

Tswelopele Local Municipality

(Registration number FS183)

Financial Statement for the year ended 30 June 2016

Appendix G(5): Reconciliation of Budgeted Cash Flows

Description	2016								2015
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property Rates, Penalties and Collection Charges	11,100,745	4,000,000	15,100,745	15,100,745	15,275,789	175,044	101.16%	137.61%	9,859,512
Service Charges	47,960,567	-	47,960,567	47,960,567	34,912,877	(13,047,690)	72.79%	72.79%	28,700,480
Other Revenue	4,723,820	(3,624,000)	1,099,820	1,099,820	2,329,876	1,230,056	211.84%	49.32%	1,246,997
Government - Operating	66,373,000	-	66,373,000	66,373,000	65,631,920	(741,080)	98.88%	98.88%	75,906,865
Government - Capital	20,571,000	21,284,000	41,855,000	41,855,000	34,088,857	(7,766,143)	81.45%	165.71%	25,601,415
Interest	510,000	250,000	760,000	760,000	2,736,406	1,976,406	360.05%	536.55%	1,978,918
Dividends	-	-	-	-	49,420	49,420	100.00%	100.00%	40,552
Payments									
Suppliers and Employees	(119,863,346)	2,801,000	(117,062,346)	(117,062,346)	(127,630,776)	(10,568,430)	109.03%	106.48%	(118,369,271)
Finance Charges	(2,500,500)	-	(2,500,500)	(2,500,500)	2,479,368	4,979,868	(99.15)%	(99.15)%	(2,245,113)
Transfers and Grants	(4,200,000)	-	(4,200,000)	(4,200,000)	-	4,200,000	-	-	-
NET CASH FROM / (USED) OPERATING ACTIVITIES	24,675,286	24,711,000	49,386,286	49,386,286	29,873,737	(19,512,549)	60.49%	121.07%	22,720,355
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	-	-	-	-	-
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	-	-	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	-	-	-	-	-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-
Payments									
Capital Assets	(20,571,000)	(21,284,000)	(41,855,000)	(41,855,000)	(32,305,533)	9,549,467	77.18%	157.04%	(28,722,934)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(20,571,000)	(21,284,000)	(41,855,000)	(41,855,000)	(32,305,533)	9,549,467	77.18%	157.04%	(28,722,934)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Increase / (Decrease) in Consumer Deposits	-	-	-	-	149,280	149,280	100.00%	100.00%	324,451
New Loans raised	-	-	-	-	1,501,770	1,501,770	100.00%	100.00%	-
Payments									
Loans repaid	(503,000)	-	(503,000)	(503,000)	(1,352,652)	(849,652)	268.92%	268.92%	(814,462)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(503,000)	-	(503,000)	(503,000)	298,398	801,398	(59.32)%	(59.32)%	(490,011)
NET INCREASE / (DECREASE) IN CASH HELD	3,701,498	3,427,000	7,128,498	7,128,498	(2,133,398)	(9,261,896)	(29.93)%	(57.64)%	(6,492,590)
Cash / Cash Equivalents at the Year begin:	6,283,502	-	6,283,502	6,283,502	6,355,430	71,928	1.14%	1.14%	12,848,020
Cash / Cash Equivalents at the Year end:	9,985,000	3,427,000	13,412,000	13,412,000	4,222,032	(9,189,968)	(68.52)%	(92.04)%	6,355,430